



## Doing Business in (Tajikistan): 2014 Country

### Commercial Guide for U.S. Companies

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## Chapter 1: Doing Business In Tajikistan

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### Market Overview

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Tajikistan's economy provides a number of opportunities for exporters and investors. With a population of 8.1 million and number of potentially sizeable infrastructure, mining, and tourism projects, Tajikistan has the potential to become a notable market for U.S. exporters.

Tajikistan is the world's 139<sup>th</sup> economy with expected per-capita GDP of \$\$1,050 in 2013. Approximately half of Tajikistan's two million working-age males labor at least part of the year in Russia and other CIS countries, often for less than the local minimum wage and under difficult working conditions.

Tajikistan's economy is still facing major economic issues left from the 1992-1997 Civil War, despite GDP growth of 7.4% in 2013. Tajikistan may face more economic problems if sanctions imposed against Russia cause its economy to contract. Experts forecast 6.2% real GDP growth and 5.4% inflation in 2014.

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This report is prepared as a guide for new-to-market U.S. companies interested in finding partners in Tajikistan; it provides practical guidance on obtaining preliminary market information, strategizing market entry, approaching potential partners, and establishing communication. Due diligence is critical to take advantage of the potentially rewarding but high-risk market of Tajikistan.

U.S. exports to Tajikistan in 2013 totaled \$52.6 million, down from \$54.2 in 2012. . Major U.S. exports, including U.S. Government-sponsored aid, were wheat, oil seeds and oils, vegetables, pharmaceutical products, meat, poultry, finished metal shapes, generators and accessories, electrical equipment, computers, civilian aircraft engines and parts, used and new passenger cars, pharmaceutical preparations, books and printed materials, toys, stereo equipment, military apparel and footwear, telecommunications equipment, measuring testing and control instruments, computers and semiconductors, laboratory testing instruments, medical equipment.. Tajikistan's leading trading partners are the Russian Federation, China, Kazakhstan, Turkey, and Iran.

## Market Challenges

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- Mountainous, land-locked terrain bordering China, Afghanistan, Uzbekistan, and Kyrgyzstan. The most accessible sea ports are located in Poti (Georgia), and Riga (Latvia). Geographically closer ports in Bandar Abbas (Iran) and Karachi (Pakistan) are difficult for Tajiks to use due to sanctions against Iran and the lack of a trade and transit agreement with Pakistan and Afghanistan.
- Non-transparent and corrupt customs and tax administration. The Tajik government uses the Customs and Tax Agencies as punitive instruments, rather than purely fiscal organizations.
- Underdeveloped transportation infrastructure, including railroads and airports, and difficulty accessing markets in Tajikistan and neighboring states.
- Conducting business may be complicated by cumbersome standardization and certification regulations, poor consumer and business purchasing power, an unpredictable investment climate, underdeveloped banking and insurance sectors, above-average inflation, potential liquidity concerns, and difficulty obtaining domestic loans.
- The Tajik Government has shown a general preference for state-led investments and lacks experience dealing with private businesses and investment.
- Economic reforms in Tajikistan are often initiated by the donor community and poorly implemented by the Tajik Government.

## Market Opportunities

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The Government of Tajikistan has undertaken initiatives to simplify business registration processes and customs clearance. The Tajik business community welcomed these moves, but corruption and stifling bureaucracy remains pervasive.

Compared to neighboring countries, Tajikistan's markets are relatively less developed and offer potential to investors willing to navigate the risks. Opportunities exist in the following sectors:

- Power generation and distribution
- Food processing and packaging
- Agribusiness machinery and farming equipment and services
- Mining equipment and services
- Construction equipment and machinery materials and services
- Aviation
- Tourism

- Business development in Tajikistan's market is resource and time-intensive.
- You may contact the U.S. Embassy to receive information on market opportunities and the business climate.
- Visiting and establishing contacts with potential buyers and partners is very important. Many Tajik businesses and officials do not use email and most expect face-to-face negotiations.
- Promotional materials should be in the Tajik and/or Russian languages.
- Local agents and distributors are commonly used.
- Although foreign companies can establish a representative office, finding a reliable local partner is very helpful. Care should be taken, however, to establish local trustworthy agents. Gasoline, oil products, liquefied petroleum gas (LPG), and consumer goods imports, including capital goods, constitute the majority of all imports to Tajikistan.
- U.S. companies should be aware of some difficulties in doing business here: despite its low formal tariffs, Tajikistan's economic distance to foreign markets is among the largest in the world, due to high transportation costs, distance from seaports, and uneasy relations with Uzbekistan and Kyrgyzstan, through which lie most of Tajikistan's supply routes. Costs increase further due to corrupt customs, tax, and licensing authorities.
- The majority of local businesses and consumers have limited awareness of U.S. goods in spite of the fact that major cosmetics and toiletry brands like Johnson & Johnson and Procter & Gamble are being sold through local distributors in shops and supermarkets in Tajikistan. The local business community often assumes U.S. goods are expensive due to the United States' great distance from Tajikistan. The situation is complicated by other factors such as the time difference, language barriers, and lack of common business practices and values.
- U.S. companies should be aware that Tajik officials at the national, regional, and local levels consider implementation of corporate social responsibility programs important for establishing sound relations with investors.

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## **Chapter 2: Political and Economic Environment**

For background information on the political and economic environment of the country, please click on the link below to the U.S. Department of State Background Notes.

<http://www.state.gov/r/pa/ei/bgn/5775.htm>

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### Using an Agent or Distributor

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Tajikistan is a mountainous country. The cities of Dushanbe, Khujand, Isfara, Istaravshan, Qurghonteppa, and Khorugh are the major population and economic centers.

Granting official distributor status to a Tajik company responsible for a specific region and/or expansion to other regions can be a good market entry strategy; however, because of the fragmented domestic market, this may not work well with all commodities.

A detailed market and risk analysis should be completed in advance. Very few Tajik companies have official distributor status for U.S. goods and services. Due to limited English use in Tajikistan and the distance from the United States, information about U.S. products is not widespread.

Competitors from China, Russia, South-East Asia, and Europe are closer to the market. Sales of some U.S. goods originate from neighboring hubs such as Almaty, Bishkek, Tashkent, Moscow, Dubai, and Istanbul.

Advantages of using a distributor:

- A local agent may have a better sense of the market and potential consumers;
- Allows the establishment of a presence in Tajikistan with relatively little startup cost;

- Circumvents the need to navigate the often difficult and frustrating process of establishing a business entity in Tajikistan, including dealing with corrupt officials, long delays, and contradictory regulations.

#### Disadvantages:

- Local companies need training in Western business practices including reporting, accounting, sales, marketing, customer care, and English language.
- Local companies may lack the skills and resources required to manage a nationwide distribution and sales network.
- Cultural and business differences may lead to misunderstandings; there is also the potential for unscrupulous behavior.

While each situation is different, the following general comments apply:

- Tajikistan's domestic market is fragmented due to mountainous terrain and poor transportation infrastructure; therefore, U.S. companies may want to have separate agents in each region.
- A local distributor will need start-up support from its U.S. partner to be able to effectively reach out to clients and transfer skills and knowledge.
- The U.S. company should expect to support its Tajik partner in a nationwide campaign to promote its goods.
- Most U.S. companies are not fully aware of the market conditions and market peculiarities in Tajikistan.
- Promotion and product materials must be available in either Russian or Tajiki.

## Establishing an Office

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It is difficult to obtain reliable and detailed information about Tajik companies. U.S. companies wishing to establish a presence in Tajikistan are encouraged to contact the U.S. Embassy in Dushanbe for guidance. The U.S. Embassy website is located at: <http://dushanbe.usembassy.gov/>. It is strongly advised that interested U.S. companies retain legal counsel to assist with the business registration process. The U.S. Embassy economic section can provide contact information for international and Tajik consulting companies that offer professional legal advice on business registration, licensing, and business operations in Tajikistan.

The first step in setting up an office is to establish a legal presence. Tajik law provides three options for establishing a legal presence: (i) a representative office, (ii) a branch office, and/or (iii) a legal entity established under the laws of Tajikistan. 3/2/2012

A representative office may perform informational and liaison functions of the company. It can open a bank account, rent an office, and provide visa support, but it cannot engage in trade and commercial activities.

Branch offices maintain a close connection with the parent company. Branch offices may perform any function, including representational functions. Representative and branch offices are not separate legal entities; therefore, the parent company may be held liable.

The law, "State Registration of Legal Entities and Individual Entrepreneurs," signed by President Rahmon on March 26, 2010, establishes a relatively simplified state registration process for individual entrepreneurs and legal entities including foreign businesses.

The U.S. Embassy recommends that businesses solicit experienced and well-established legal counsel when registering a company.

Official registration of a legal entity is organized through the Tax Committee at the Government of Tajikistan. The Department of "State Registration of Legal Entities and Individual Entrepreneurs" is responsible for Single Window state registration. More information can be found on the website of the Tax Committee of the Government of Tajikistan: [www.andoz.tj](http://www.andoz.tj)

## Tax Code

The new 2013 Tax code was designed with technical assistance and over 3,000 comments from international experts. The final version of 2013 Tax Code did not incorporate all recommendations. . The final version of 2013 Tax Code featured some reforms benefiting companies working in Tajikistan, but still requires compliance with many complicated and cumbersome elements and procedures.

The Government of Tajikistan and the State Tax Committee have committed to improving Tax Code procedures and administration in 2014. The Tax Committee's current strategy is focused on value-added tax (VAT) administrative capacity and promotion of a simplified general tax regime. The World Bank is currently implementing a \$10 million modernization program with the State Tax Committee. The modernization will promote the use of online-filing, and tax payer administration automation to prevent corruption.

Taxation in Tajikistan remains one of the biggest obstacles and one of the most time consuming regulatory tasks for foreign investors in Tajikistan. The Tax Committee's desire to meet Tajikistan's fiscal needs results in arbitrary tax collections, requests for pre-payment of taxes, and arbitrary tax audits.

In total there are eight national and three local taxes, including:

- Income Tax
- Profit Tax
- Value Added Tax (VAT)
- Excise Taxes (several versions applied in different sectors)



- Social Tax
- Taxes on natural resource use (royalties)
- Tax on road use
- Tax on cotton and aluminum sales

#### Local Taxes

- Transport Tax
- Property Tax
  - Land Tax
  - Building Tax

According to the Tax Code of Tajikistan, certain business categories enjoy special tax codes to simplify administrative burdens. Individuals, small scale businesses, agricultural producers, and gambling companies are also able to use simplified taxation procedures.

Tax Code also defines customs tariffs for imported and exported goods.

### **. . . . Franchising**

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Since 2006, the Tajik Government has regulated franchising activities through the Tajik Civil Code, part 2, article 49, "Commercial Concession Agreement." Franchising opportunities may be discussed with the U.S. Embassy.

As of 2014, no U.S. franchises have opened in Tajikistan. There have been several inquiries from local Tajik companies about opening McDonald's, KFC, and Starbucks franchises in Dushanbe, but no further actions have been taken.

### **Direct Marketing**

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One of the most effective marketing techniques in Tajikistan is direct marketing. Direct marketing is effective at major cultural or sports events and door-to-door marketing.

Tajikistan's unreliable postal system discourages mail marketing.. Mary Kay, Avon, Oriflame, and Faberlic distributors are active mainly in Dushanbe, and there is opportunity for development in direct marketing.

There are several local advertising firms based in Dushanbe. Television, radio, outdoor advertising, and weekly newspaper publications are the primary advertising avenues. For business services, brand recognition campaigns are usually conducted using outdoor advertising.

There are several media options. Although there are no private television stations with nationwide coverage, some small private television companies exist in smaller towns. In Dushanbe, there are 12 FM radio stations and one cable television network which broadcasts up to 50 satellite channels in Dushanbe. Much of the population uses satellite dishes to receive a variety of TV programs, mainly from Russia and Uzbekistan.

Between 1998 and 2014, more than 600 joint ventures were registered in Tajikistan, according to the Ministry of Justice and the State Statistical Committee. Fewer than 150 of these ventures are currently in operation, however.

The list of joint ventures is not available to the public. Thirty-seven U.S.-Tajik joint ventures have been registered in Tajikistan since 2003, but most are not currently operating. Most are owned by Tajik citizens who immigrated to the United States and decided to maintain their business activities in Tajikistan by transforming their companies into joint ventures.

Joint ventures can be established as a limited liability company (LLC) or a joint stock company (JSC).

Joint ventures exist in banking, finance, mining, industry, energy, telecommunications, textiles, and food preparation. Most joint ventures are registered with Russian, Kazakh, Iranian, and Chinese companies. Large companies in aluminum production, aviation services, cotton, mining (gold and other metals), construction, and road service conduct operations through their registered companies in Cyprus, the British Virgin Islands, and other off-shore tax havens..

The current "Law On Permits" was signed in 2011 and has reduced the number of permissions and licenses required for business activities in Tajikistan from 607 to 87. Updated information on the legal issues and processes required to obtain permits can be found at the webpage of the State Committee on Investment and Property Management of Tajikistan, Single State Electronic Registry for Business Licenses and Permits: <http://www.ijozat.tj/index.php?lang=en>.

The law covers the following types of permits:

- Evaluation activities
- Employment services of Tajik citizens outside of Tajikistan and foreign citizens in Tajikistan
- Audit services
- Legal services
- Expert and environmental services
- Patent agent services
- Advertisement services
- Private insurance services
- Professional stock exchange brokers
- Distribution of printed/published products
- Architectural/city planning
- Use of natural resources
- Energy services (installation, commissioning of energy communications, operation of energy facilities)
- Transportation services

## **Selling to the Government**

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The current system of public procurement was implemented in 2004 with the adoption of the "Law On Public Procurement of Goods, Works and Services" based on the United Nations Commission on International Trade Law's Law on Public Procurement. The Tajik Agency on Public Procurement of Goods, Works, and Services is the main coordinating agency in the Tajik Government for state purchases: <http://goszakupki.tj/>

The Government of Tajikistan has a number of infrastructure projects financed by international financial institutions and foreign governments, including China, Russia, Kazakhstan and Iran. Large-scale opportunities exist in the following sectors:

- Transport
- Energy
- Trade policy and facilitation

U.S. companies considering entering the Tajik market and becoming a government supplier must take into consideration the high level of corruption within the public sector, as well as competition from foreign companies that may use political and other types of leverage during negotiations for state investments.

To obtain more information on procurement opportunities, interested U.S. companies are encouraged to contact the U.S. Embassy in Dushanbe.

## **Distribution and Sales Channels**

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What works in neighboring countries may not work in Tajikistan, where distribution channels are often unstructured, non-transparent, and chaotic. Dushanbe and Khujand host major distribution centers. Most goods arrive at these centers via rail and road and, are sent to their final destinations by truck.

Tajikistan's poor infrastructure poses big challenges. The northern, southern, and eastern parts of the country are separated by high mountain ranges. The roads linking the regions are usually poor and subject to frequent winter closures.

According to Tajikistan's Ministry of Transport, trucks transport less than 3% of Tajikistan's imports and exports, but carry 86% of internal cargo. Most of the cargo arrives in Tajikistan by railways through Uzbekistan-Kazakhstan-Russia or Uzbekistan-Turkmenistan-Iran, but Uzbek inspections and restrictions create significant delays. Airline cargo is in the development process, and it occupies a small piece of market due to high costs.

Tense relations between Tajikistan and Uzbekistan, through which most of Tajikistan's transit links to the outside world pass, are responsible for many transportation issues. Bulk rail shipments of aluminum and cotton make up the majority of Tajikistan's trade.

Tajik-Uzbek visa requirements make it almost impossible for cars with Tajik license plates to enter Uzbekistan. Even after obtaining all necessary papers, vehicles are subjected to exhaustive searches at the border.

Non-Tajik-registered trucks traveling between Uzbekistan and Tajikistan also face high costs and many other barriers. On January 1, 2012, Uzbekistan increased railroad tariffs for Tajikistan by 32% and has held up bulk shipments at the border for an extended period of time on several occasions. Uzbekistan continues to impose high transit tariffs for Tajikistan and, Uzbek officials sometimes inspect transit cargo content without notifying customers in Tajikistan.

Border crossing procedures are difficult. According to experts, many trucks leave Tajikistan empty, despite the demand for truck transport, simply because it is too difficult to transit goods into Uzbekistan. Although all Central Asian Countries have joined the TIR System (an international system designed to facilitate trade), it is poorly implemented and not respected in transit countries. There are few Tajik trucks that satisfy TIR technical requirements.

Dushanbe and Khujand remain the key destinations for a variety of consumer and industrial products coming into Tajikistan.

Tajikistan's transportation infrastructure is underdeveloped and in need of major upgrades.

Some international freight forwarders and express couriers, including DHL, UPS, and TNT are active in Tajikistan.

## **Selling Factors/Techniques**

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As with any country, the marketing and selling of goods and services in Tajikistan must be adapted to its commercial climate and business practices. Market research is needed to identify opportunities and possible Tajik business partners. Selecting a business partner in Tajikistan should be done only after conducting sufficient due diligence.

It can be helpful for U.S. companies to network with American companies already present in the Tajik market. The American-Tajik Chamber of Commerce ([www.amcham.tj](http://www.amcham.tj)) based in Dushanbe can also provide helpful information.

Due to the weak banking system and ongoing international sanctions against Iranian companies and banks operating in Tajikistan, U.S. potential exporters should be careful when selecting financial institutions and use letters of credit and other secure financing mechanism in transactions with their Tajik counterparts.

Currency fluctuations may require U.S. exporters to adjust prices on short notice.

Although the official state language of Tajikistan is Tajiki, Russian remains the language of business. According to the Constitution of Tajikistan Russian is the language of international communication. For promotional and advertising campaigns, it is necessary to comply with the "Law on Advertising" that requires the use of Tajiki in an advertisement's content and wording.

All promotional materials should be translated into Tajiki and/or Russian before approaching a Tajik company. The choice of Tajiki or Russian will depend on the type of

product and the target audience. Russian is widely spoken in Dushanbe, Khujand, and the thinly-populated east, but has been declining in use in smaller towns. There are large rural parts of the country where only Tajiki is spoken.

Finding a reliable and trustworthy local partner known in the business community will substantially ease interactions with regulators and help a U.S. company to understand local consumer customs and behavior.

## **Electronic Commerce**

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Access to email and the Internet is much less prevalent in Tajikistan than in many areas of the world. Many local companies . often have just one email address, typically registered on the free .ru domain, and their email is checked by a secretary or other designated person on an intermittent basis.

According to the report, “Tajikistan Electronic Readiness Assessment, Evaluation of Various Factors that Identify Information Readiness of Tajikistan for Participation in the Networked World,” published in 2010 by the Civil Internet Policy Initiative Group (CIPI) in Tajikistan (<http://cipi.tj/>), seven first tier companies provide Internet services in Tajikistan.

As of May 2014, these companies are:

- Babilon-T - <http://www.babilon-t.tj>
- Tojiktelecom - <http://www.tajiktelecom.tj>
- Intercom - <http://www.intercom.tj>
- Telecom Technology - <http://www.tajnet.com>
- Eastera - <http://www.eastera.tj>
- TARENA - <http://www.tarena.tj>
- Saturn Online - <http://www.saturn.tj>

According to a 2010 CIPI survey, approximately one million households owned personal computers. The official estimated number of Internet users as of 2013 was 3.1 million. . An estimated 39% of Tajiks have regular access to the Internet either at home, work, school, Internet cafes, or by other means – including through mobile devices, which reached 90% penetration by 2012.

According to the CIPI survey of Internet providers, the total number of Internet service contracts in Tajikistan was 11,600, 78% of which were in Dushanbe, followed by Khatlon province – 7.7%, Sughd province – 6.9%, the Republican Subordination Districts – 6.8% and GBAO – 0.5%.

Businessmen and officials are gradually getting more comfortable with using email. E-commerce may be the next niche where U.S. companies can apply their expertise to develop the market in Tajikistan.

## **Trade Promotion and Advertising**

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The mass media market in Tajikistan offers some opportunities for trade promotion and advertising. There are no international advertising agencies in Tajikistan. All advertising is conducted by local companies and regulated by central and local authorities. Advertising on the internet is limited but has some potential for growth as the number of internet users is increasing steadily.

The following is a selected list of leading media outlets and print publications in Dushanbe.

### **TV Channels**

First Tajik TV Channel <http://1tv.tj>  
TV Safina <http://safina.tj>  
Jahonnamo TV <http://jahonnamo.tj>

### **Radio Stations**

Radio Asia Plus - 107.0 FM  
Radio Vatan - 106.0 FM  
Radio Imruz - 107.4 FM  
Radio BBC - 106.5 FM  
Radio Oriono - 103.0 FM  
Radio Tajikistan - 102.2. FM

### **Press**

#### *Weekly Newspapers*

Asia Plus - [www.news.tj](http://www.news.tj)  
Imruz News - [www.imruznews.tj](http://www.imruznews.tj)  
Nigoh – [www.nigoh.tj](http://www.nigoh.tj)  
Reklamnaya Gazeta - [www.pressa.tj](http://www.pressa.tj)  
Vecherka – <http://vecherka.tj>  
Business and Politika – [www.gazeta-bip.net](http://www.gazeta-bip.net)  
Farazh – [www.farazh.tj](http://www.farazh.tj)  
Millat – [www.millat.tj](http://www.millat.tj)  
Minbari Halk – [www.tribun.tj](http://www.tribun.tj)  
Tojikiston – [www.pressa.tj](http://www.pressa.tj)

#### *Monthly Magazines*

VIP Zone - <https://www.facebook.com/magazine.vipzone>  
Elite- <https://www.facebook.com/elitejournal?fref=ts>  
Reklama and Ideas -  
Mir Reklami - <https://www.facebook.com/mirreklamitj>

### **Advertising Companies**

Forex – [www.forex.tj](http://www.forex.tj)  
Total Advertising Group – [www.tag.tj](http://www.tag.tj)

Usto Design  
Gallery Abris  
TechnoTorgService  
Duniyoi Nav  
Sahna  
ArtGun Dushanbe  
Obodkor (in Sugd Region)

The Tajik Chamber of Commerce and Industry annually conducts international and local trade and industry exhibitions. Consult <http://tpp.tj/dditem/locali> for information.

Contact information:

Tajik Chamber of Commerce and Industry  
21 Valamatzade Street  
Dushanbe, Tajikistan 734012  
Tel: +992 (37) 221-5284 or 227-13-78  
Fax: +992 (37) 221-1480  
Website: [www.tpp.tj](http://www.tpp.tj)  
Email: [mirsaidov.d@inbox.ru](mailto:mirsaidov.d@inbox.ru)

## Pricing

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To estimate pricing on the local market, companies should take into account transportation costs, associated import duties (customs duties, fees, certification costs), and value added tax (VAT).

On 2 March 2, 2013 Tajikistan became the 159th member of World Trade Organization (WTO). Tajikistan conducted bilateral negotiations with 13 WTO members on market access for goods, setting the average tariff for all goods at 8% (10.4% for agricultural products and 7.6% for non-agricultural products). Importers must pay 18% VAT, though certain categories of goods may qualify for exemptions, subject to Tajik government approval.

Trading with Tajikistan is challenging because the country is so distant from seaports.

Competition from Russian, Asian, and European producers is significant. Most consumers in Tajikistan are very price-sensitive and usually opt for lower prices over quality.

## Sales Service/Customer Support

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In general, customer support and service in Tajikistan is very poor. This may represent an opportunity for U.S. firms, since providing after-sales services may help create a dedicated consumer base. U.S. companies should be prepared to commit resources to intensive customer service training for local staff. U.S. companies, to the extent they are recognized here, are generally associated with quality customer service. This may be a competitive advantage for U.S. companies entering the market.

Tajikistan is a member of many international agreements and unions, but does not adhere to key international agreements on intellectual property rights and lacks effective protections for patents, copyrights, trademarks, and other intellectual property.

There are a number of provisions in the Constitution and civil and criminal codes providing for the protection of intellectual property. Part II of the civil code provides protections for all types of property. Part III regulates intellectual property rights, inheritance rights, and private international rights. According to Article 1137 of Part III, the following protections are available:

- Financial compensation by court decision;
- Withdrawal of material and equipment used in violation of the property rights and goods, or produced as a result of the violation;
- Publication in the mass media of the cases; and
- Other methods as stipulated in the law.

Despite the formal legal guarantees of intellectual property rights, actual enforcement of these provisions lags far behind.

The following organizations are responsible for the implementation of intellectual property rights policy and enforcement:

- The National Patent Information Center (NPIC) at the Ministry of Economic Development and Trade is the primary patenting organization. One of the NPIC's main functions is to protect state interests with respect to inventions, industrial samples, trademarks, service marks, and names of origins of goods.
- The Department on Authors' Rights and Related Rights at the Ministry of Culture is responsible for the protection of authors' rights.
- The State Commission on Grade Testing and Protection of Grades at the Ministry of Agriculture deals with licensing of agricultural products and services.
- The Customs Committee is responsible for measures undertaken at the state border.
- Other government structures may also have roles, including the Supreme Economic Court and the Department to Combat Intellectual Property Rights Violations under the Ministry of the Interior.

Tajikistan joined the World Intellectual Property Organization (WIPO) in 1994 and has acceded to the following agreements concerning copyright agreements:

- Convention on establishment of the WIPO (12/25/1991)
- The Universal Copyright Convention (1992)
- Berne Convention for the Protection of Literary and Artistic Works (03/09/2000)
- Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations (05/19/2008)
- WIPO Copyright Treaty (04/05/2009)
- WIPO Phonograms and Performances Treaty (08/24/2011)



- Convention for the Protection of Producers of Phonograms against Unauthorized Duplication of their Phonograms (under consideration)

The Ministry of Economic Development and Trade's National Patent and Information Center reports that Tajikistan signed several other agreements in the area of industrial designs:

- The Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure (02/14/1994)
- Locarno Agreement Establishing an International Classification for Industrial Designs
- Nairobi Treaty on Protection of the Olympic Symbol (02/14/1994)
- Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks (02/14/1994)
- Paris Convention on Protection of the Industrial Property (02/14/1994)
- Strasbourg Agreement on International Patent Classification (02/14/1994)
- Geneva Act of the Hague Agreement Concerning the International Registration of Industrial Designs (10/12/2011)

In 2011-2013 Tajikistan moved closer to compliance with TRIPS and other IP norms. Tajikistan passed a law on protecting new plant varieties in December 2010 and joined the International Union for the Protection of New Varieties of Plants (UPOV) in March 2011. Though Tajikistan is a signatory to the Berne Convention, Tajikistan's copyright law did not protect sound recordings or pre-existing works as provided for by the WIPO Performances and Phonograms Treaty. On December 29, 2010, Tajikistan's parliament ratified the Convention, removing one of the major remaining legislative gaps in IPR.

### **Protecting Your Intellectual Property in Tajikistan**

Several general principles are important for effective management of intellectual property ("IP") rights in Tajikistan. It is important to have an overall strategy to protect your IP. IP is protected differently in Tajikistan than in the United States. Rights must be registered and enforced in Tajikistan, under local laws. Your U.S. trademark and patent registrations will not protect you in Tajikistan. There is no such thing as an "international copyright" that will automatically protect an author's writings throughout the entire world. Protection against unauthorized use in a particular country depends, basically, on the national laws of that country. However, most countries do offer copyright protection to foreign works under certain conditions, and these conditions have been greatly simplified by international copyright treaties and conventions.

Registration of patents and trademarks is on a first-in-time, first-in-right basis, so you should consider applying for trademark and patent protection even before selling your products or services in Tajikistan. It is vital that companies understand that the U.S. government generally cannot enforce intellectual property rights for private individuals in Tajikistan. It is the responsibility of the rights holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. Companies may wish to seek advice from local attorneys or IP consultants who are experts in Tajikistan law. The U.S. Embassy can provide a list of local lawyers upon request [http://dushanbe.usembassy.gov/legal\\_information.html](http://dushanbe.usembassy.gov/legal_information.html).

While the U.S. Government stands ready to assist, there is little we can do if the rights holders have not taken these fundamental steps necessary to secure and enforce their IP in a timely fashion. Moreover, in many countries, those who delay enforcing their rights on a mistaken belief that the U.S. government can provide a political resolution to a legal problem may find that their rights have been eroded or abrogated due to legal doctrines such as statutes of limitations, laches, estoppel, or unreasonable delay in prosecuting a law suit. In no instance should U.S. Government advice be seen as a substitute for the obligation of a rights holder to promptly pursue its case.

It is always advisable to conduct due diligence on potential partners. Give your partner clear incentives to honor contracts. A good partner is an important ally in protecting IP rights. Consider carefully, however, whether to permit your partner to register your IP rights on your behalf. Doing so may create a risk that your partner will list itself as the IP owner and fail to transfer the rights should the partnership end. Keep an eye on your cost structure and reduce the margins (and the incentive) of would-be bad actors. Projects and sales in Tajikistan require constant attention. Work with legal counsel familiar with Tajikistan's laws to create a solid contract that includes non-compete clauses, and confidentiality/non-disclosure provisions.

It is also recommended that small and medium-size companies understand the importance of working together with trade associations and organizations to support efforts to protect IP and stop counterfeiting. There are a number of these organizations, both Tajikistan or U.S.-based. These include:

- The U.S. Chamber and local American Chambers of Commerce
- The National Association of Manufacturers (NAM)
- The International Intellectual Property Alliance (IIPA)
- The International Trademark Association (INTA)
- The Coalition Against Counterfeiting and Piracy
- The International Anti-Counterfeiting Coalition (IACC)
- The Pharmaceutical Research and Manufacturers of America (PhRMA)
- The Biotechnology Industry Organization (BIO)

## **IP Resources**

A wealth of information on protecting IP is freely available to U.S. rights holders. Some excellent resources for companies regarding intellectual property include the following:

- For information about patent, trademark, or copyright issues -- including enforcement issues in the US and other countries -- call the STOP! Hotline: **1-866-999-HALT** or register at [www.StopFakes.gov](http://www.StopFakes.gov).
- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the US Patent and Trademark Office (USPTO) at: **1-800-786-9199**.
- For more information about registering for copyright protection in the US, contact the US Copyright Office at: **1-202-707-5959**.

- For more information about how to evaluate, protect, and enforce intellectual property rights, and how these rights may be important for businesses, a free online training program is available at [www.stopfakes.gov](http://www.stopfakes.gov).
- For US small and medium-size companies, the Department of Commerce offers a "SME IP Advisory Program" available through the American Bar Association that provides one hour of free IP legal advice for companies with concerns in Brazil, China, Egypt, India, Russia, and . For details, and to register, visit: [http://www.abanet.org/intlaw/intlproj/iprprogram\\_consultation.html](http://www.abanet.org/intlaw/intlproj/iprprogram_consultation.html)
- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: [www.StopFakes.gov](http://www.StopFakes.gov) This site is linked to the USPTO website for registering trademarks and patents (both in the U.S. as well as in foreign countries), the U.S. Customs & Border Protection website to record registered trademarks and copyrighted works (to assist customs in blocking imports of IP-infringing products) and allows you to register for Webinars on protecting IP.
- The U.S. Commerce Department has positioned IP attachés in key markets around the world. You can get contact information for the IP attaché who covers Tajikistan at: <http://export.gov/russia/contactus/index.asp>.

## Due Diligence

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There are no companies that formally conduct due diligence in Tajikistan, although potential investors may consult some of the professionals noted in the following section. The U.S. Embassy may be able to provide general or anecdotal background on a specific company or individual, but cannot conduct due diligence for interested investors.

## Local Professional Services

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It is advisable to contact a consulting company in Tajikistan for advice on the potential for U.S. business operations in Tajikistan. Professional counsel on taxation and legal aspects of business can save time, resources, and money. Tajikistan's economic, business, and commercial regulations are spread across hundreds of presidential, government, ministerial, and local-level decrees. It is common that these regulations overlap or conflict with one another.

Dushanbe and Khujand are the primary location for the accounting, consulting and audit firms.

### *Legal and Tax Services*

Deloitte  
[www.deloitte.tj](http://www.deloitte.tj)

Baker Tilly TJ  
<http://www.bakertilly.tj/>

Aiten Consulting Group  
[www.aitengroup.com](http://www.aitengroup.com)

Legal Consulting Group  
<http://www.lcg.tj>

Akhmedov, Azizov & Abdulhamidov, Simple Partnership  
<http://www.aaa.tj>

Asian Business Group  
<http://www.abg.tj>

Lex Law Firm  
<http://www.lex.tj>

Grant Thornton LLC  
[www.grantthornton.tj](http://www.grantthornton.tj)

Nazrisho & Associates PC, NYC, USA  
[www.nmlaw.tj](http://www.nmlaw.tj)

#### *Logistics*

Globalink Logistics, LLC  
<http://www.globalink-logistics.com>

DHL  
[www.dhl.com](http://www.dhl.com)

UPS  
[www.ups.com](http://www.ups.com)

VAVILON Transportation Company  
<http://www.vavilon.tj/>

#### *Market Research Companies*

Zerkalo  
[www.zerkalo](http://www.zerkalo)

M-Vector  
[www. m-vector.com](http://www.m-vector.com)

Harif  
<http://www.harif.tj>

Mazars  
[www.mazars.com](http://www.mazars.com)  
Aiten Group  
<http://www.aitengroup.com>

Total Advertising Group  
<http://www.tag.tj>

## Web Resources

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The U.S. Embassy in Dushanbe: <http://dushanbe.usembassy.gov>

The American – Tajik Chamber of Commerce – AmCham: [www.amcham.tj](http://www.amcham.tj)

The President of the Republic of Tajikistan: [www.president.tj](http://www.president.tj)

Majlisi Oli (Parliament) of the Republic of Tajikistan: [www.parlament.tj](http://www.parlament.tj)

Ministry of Foreign Affairs: [www.mfa.tj](http://www.mfa.tj)

Ministry of Finance: [www.minfin.tj](http://www.minfin.tj)

Ministry of Economic Development and Trade: [www.met.tj](http://www.met.tj)

Ministry of Agriculture: [www.vkishovarzi.info](http://www.vkishovarzi.info)

Ministry of Justice: [www.minjust.tj](http://www.minjust.tj)

The National Bank of Tajikistan: [www.nbt.tj](http://www.nbt.tj)

Ministry of Health: [www.health.tj](http://www.health.tj)

Ministry of Energy and Industry: [www.minenergoprom.tj](http://www.minenergoprom.tj)

State Tax Committee: [www.andoz.tj](http://www.andoz.tj)

Agency on Hydrometeorology: [www.meteo.tj](http://www.meteo.tj)

Ministry of Education: [www.education.tj](http://www.education.tj)

State Statistics Agency: [www.stat.tj](http://www.stat.tj)

Migration Services under the Ministry of Internal Affairs: [www.migratsiya.tj](http://www.migratsiya.tj)

Custom Services: [www.customs.tj](http://www.customs.tj)

The Tajik Chamber of Commerce and Industry: <http://tpp.tj/>

The Department of State Registration: <http://andoz.tj/en/>

Single State Electronic Registry for Business Licenses and Permits: <http://www.ijozat.tj/>

Asia Plus Media Group (newspaper, radio, news, analysis): [www.news.tj](http://www.news.tj)

Avesta News Agency: <http://www.avesta.tj>

Khovar State Information Agency: [www.khovar.tj](http://www.khovar.tj)

The State Committee on Investments and State Property Management: <http://www.gki.tj>

The State Committee on Investments and State Property Management announcements on tenders:

<http://www.gki.tj/en/state-tenders/>  
[http://amcu.gki.tj/eng/index.php?option=com\\_announcement&task=showTenders&lang=en](http://amcu.gki.tj/eng/index.php?option=com_announcement&task=showTenders&lang=en)

Investor's page on State Committee on Investments and State Property Management: [http://amcu.gki.tj/eng/index.php?option=com\\_content&task=view&id=94&Itemid=126](http://amcu.gki.tj/eng/index.php?option=com_content&task=view&id=94&Itemid=126)

The State Unitary Enterprise "TajikInvest": <http://tajinvest-sue.tj/>

The State Statistics Agency under the President of Tajikistan: <http://www.stat.tj>

The National Bank of Tajikistan: [www.nbt.tj](http://www.nbt.tj)

The Free Economic Zone "Sughd": <http://www.fezsughd.tj>

The Free Economic Zone "Panj": <http://www.fezpanj.tj/>

Business opportunities in Tajikistan: <http://tajinvest.tj/>

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## Chapter 4: Leading Sectors for U.S. Export and Investment

### Commercial Sectors

- [Power](#) Generation and Distribution
- [Food](#) Processing and Packaging
- [Mining](#) Equipment and Services
- [Construction](#) Equipment and Services
- Aviation
- Tourism

## Energy and Power Generation and Distribution

### Overview

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Unit: USD thousands

	2012	2013	2014 (estimated)	2015 (estimated)
Total Market Size	792,000	784,320	782,400	782,400
Total Local Production	811,200	817,920	816,000	816,000
Total Exports	19,200	33,600	33,600	36000
Total Imports	n/a	n/a	n/a	
Imports from the U.S.	100	200	200	220
Exchange Rate: 1 USD	4.76	4.77	4.90	5.10

(Source: State Statistics Agency 2012, 2013 and U.S. Embassy staff estimates)

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Data Sources:

Total Local Production: \$782,400,000

Total Exports: \$33,600,000

Total Imports: Data unavailable

Imports from U.S.: n/a

Tajikistan's hydropower potential is estimated at 527 billion kWh per year, which exceeds the existing electricity consumption of the countries of Central Asia by 300%. In terms of potential hydropower resources, Tajikistan is ranked eighth in the world after China, Russia, the United States, Brazil, Zaire, India and Canada. On specific indicators of hydropower potential per square kilometer (3,696.9 thousand kWh per year/km<sup>2</sup>) and per capita (65.9 thousand kWh per year/person) Tajikistan respectively occupies first and second place in the world.

Most of the energy generation and energy distribution system in Tajikistan was designed and built in 1970s. Due to limited resources and mismanagement of state owned company Barki Tojik, the Government of Tajikistan relies on donor resources from World Bank, Asian Development Bank, German KfW, Islamic Development Bank, European Reconstruction and Development Bank, Chinese Government, Russian Government, Iranian Government, German Government, U.S. Government and other donors to development and maintain the energy production and distribution network in Tajikistan.

On December 5, 2013 the Asian Development Bank (ADB) approved a \$136 million grant, the largest single transaction ever provided by the institution to Tajikistan, for a project to increase the supply of renewable energy to national and regional power grids.

According to the ADB Tajikistan Resident Mission (TJRM), the project will refurbish electrical and mechanical equipment for power generation and transmission at the Golovnaya Hydroelectric Power Plant (HPP), situated 80 kilometers south of Dushanbe. Its installed generation capacity is 240 megawatts (MW), which makes it the fourth most powerful hydropower plant in the country.



The Tajik Ministry of Economic Development and Trade signed an agreement with KfW Development Bank on December 10, 2013, under which KfW will provide a five million Euro grant to reconstruct a small hydroelectric power plant (HPP) on the Aksu River in GBAO's Murgab district.

Domestic demand for electricity is over 24.0 billion kWh, yet production in 2013 totaled only 17 billion kWh. In 2013, Tajikistan's electricity exports totaled some 0.97 billion kWh (valued at \$33.6 million), according to the Agency for Statistics under the President of Tajikistan. In 2014 Tajikistan plans to export 0.7 billion kWh of electric power (valued at \$25.5 million), according to Tajik government forecasts.

Due to energy shortfalls and ongoing difficulties importing energy from its neighbors, the Tajik government has made energy sector development a top priority.

The Tajik government is implementing a two-track strategy: (i) improvement of the domestic energy sector, and (ii) development of large scale projects to generate electricity for export. Development will generate economic growth and create opportunities for diversification of export earnings.

Tajikistan's power sector is managed by Barqi Tojik, a vertically integrated utility owned by the Government of Tajikistan. Barqi Tojik's debts now exceed one billion somoni (\$200 million). As of December 2013, the utility owes 427.2 million somoni (\$85.44 million) to the Sangtuda-1 hydroelectric power plant (HPP), which is owned by Russian energy company RAO UES, and 131.6 million somoni (\$26.32 million) to the Sangtuda-2 HPP owned by Iranian Sangob company and the Iranian government. Barqi Tojik's tax debts now exceed 400 million somoni (\$80 million).

Tajikistan's total domestic electrical generation capacity is 5,065 MW, including 4,800 MW of hydroelectric capacity (4,400 MW of which is sited along the Vakhsh River cascade) and nearly 300 MW from a coal-fired combined heat and power plant (CHP) in Dushanbe. A second unit at the CHP scheduled for completion in 2014 will potentially add another 150 MW. .

The major constraint on power generation is the seasonal nature of hydroelectric power: reservoir levels run low in winter, forcing severe power rationing in rural areas. The Tajik government seeks to deal with the winter energy gap by constructing more coal-fired energy stations. The Chinese government financed the construction of Tajikistan's first such plant in Dushanbe, with a projected capacity of 200 mW, under a trilateral agreement between the Tajik Ministry of Energy and Water Resources, China's Tebian Electric Apparatus (TBEA) Group, and Dushanbe Mining Co., Ltd. The Dushanbe plant consumes 22,300 tons of coal per month. Additional coal-fired power plants are planned in the northern city of Khujand to support new metallurgical facilities.. . .

The Tajikistan transmission system is part of the Central Asia Power System and consists of two voltage levels: 500 kV and 220 kV. Tajikistan's northern and southern networks were connected in 2009. A 500 kV power transmission line, financed by the Chinese government, was completed in August of 2009.

There are three electricity distribution organizations in Tajikistan: the Northern Distribution Company, the Southern Distribution Company, and the Pamir Distribution

Company. The first two are part of Barqi Tojik, while the latter is part of the independent, vertically integrated, Pamir Energy Company, which operates with assistance from the Government of Switzerland, the Aga Khan Foundation for Economic Development (an investment fund of the Aga Khan Foundation), and the International Finance Corporation (IFC).

Billing and collection is the responsibility of Barqi Tojik subsidiaries.

There are approximately 1.5 million electrical energy customers in Tajikistan.

Small hydropower plants (HPPs) controlled by Barqi Tojik generated a total of 5.3 MWh of electricity in 2013, which is 0.3 MWh more than during 2012. According to the Ministry of Energy and Water Resources (MoEWR), the total number of small HPPs under different type of ownerships reached 310 in 2014, eight of which opened in 2013

The Tajik government, in accordance with World Bank guidelines, has been steadily increasing energy prices. A 25% price increase for residential consumers went into effect in 2009. Analysts expect the Tajik government to implement another 25% increase in 2014, but there have been no official announcements. Energy prices are regulated by the Ministry of Economic Development and Trade and the government's Anti-Monopoly Agency.

Electrical consumers in Tajikistan are divided into five categories for which different prices applied:

Residential – \$0.022 per 1 KWh

Industry and non-industrial users – \$0.053 per KWh

State-owned organizations, communal utility services, electrical powered transportation services, and sports complexes – \$0.021 per KWh

Water pumping stations – \$0.003 per KWh

Tajik Aluminum Company – \$0.017 KWh

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#### CASA-1000 Project

The CASA-1000 (Central Asia and South Asia energy transit project) was launched to connect Central Asian energy producers with customers in Afghanistan, Pakistan and, potentially, India. The total estimated cost of the project is over \$1.1 billion. This project has required landmark cooperation among the Kyrgyz Republic, Tajikistan, Pakistan, and Afghanistan. When completed, the modern and efficient CASA-1000 electricity transmission system will help transform the region and signify an important step toward realizing the planned Central Asia-South Asia Regional Electricity Market (CASAREM).

The U.S. Department of State announced on December 11, 2013 that the United States had committed \$15 million to finance CASA-1000.

The power generation infrastructure required for CASA-1000 is already in place. Much of the electricity available to CASA-1000 is surplus, and is not used during the peak summer generation season. When complete, the full CASA-1000 transmission lines will move electricity at high voltages 477 kilometers between the Kyrgyz Republic and Tajikistan and 750 kilometers from Tajikistan to Afghanistan and Pakistan.

### The CASA-1000 project includes:

- A 500 kV AC line from Datka (in the Kyrgyz Republic) to Khujand (477 kilometers away, in Tajikistan)
- A 1300 megawatt AC-DC converter station at Sangtuda (Tajikistan)
- A 750-kilometer high voltage DC line from Sangtuda to Kabul (Afghanistan) to Peshawar (Pakistan)
- A 300 megawatt converter station at Kabul (with import and export capability)
- A 1300 megawatt DC-AC converter station at Peshawar

The Kyrgyz Republic, Tajikistan, Pakistan, and Afghanistan have established an Inter-Governmental Council as a framework for implementing CASA-1000. In addition to the commitment of these four countries, CASA-1000 has the support of the World Bank Group, Islamic Development Bank, United States Agency for International Development (USAID), US State Department, United Kingdom Department for International Development (DFID), Australian Agency for International Development (AusAID), and other donor communities. The CASA-1000 Project Feasibility Study Report is available at [http://www.casa-1000.org/1\)Techno-EconomicFeasibilityStudy\\_MainRep\\_English.pdf](http://www.casa-1000.org/1)Techno-EconomicFeasibilityStudy_MainRep_English.pdf)

TALCO (Tajik Aluminum Company) consumes up to 50% of all electrical energy produced in Tajikistan and has received a special electricity tariff rate of \$0.017 per kWh from January 2010 through 2014. The Tajik government reportedly plans to increase electrical energy prices in the country, but TALCO will retain preferential rates to subsidize aluminum production. Agricultural use for water pumping accounts for approximately 30% of Tajikistan's electricity consumption, while residential consumers and others account for approximately 20%. In recent years, residential power consumption in large cities like Dushanbe and Khujand has increased, driven by new urban construction.

Construction of hydro- and combined heat and power stations and high-voltage power transmission lines, are at various stages of completion.

Some of them include:

Pos. No.	Name of Project	Project Sponsor	Project Cost, million USD
1	Roghun (first phase – maintenance only) (3600 MW)	Tajik Government	800 (on-hold) ongoing)
2	Sangtuda-1 (670 MW)	Government of Russia	600 (project completed)
3	Sangtuda-2 (220 MW)	Islamic Republic of Iran	220 (project nearly completed)
4	Varzob-I hydropower plant rehabilitation (55 MW) on Varzob river	Government of India	10 (completed)
5	500-KV South-North domestic power transmission line to connect Southern Grid	Barki Tojik (financing from Chinese Ex-Im	282 (completed)

	with Northern Grid	Bank)	
6	220-KV power transmission project from Tajikistan to Afghanistan	Barki Tojik (financing from the Asian Development Bank)	110 (completed)
7	220-KV Lolazor-Hatlon domestic power transmission line	Barki Tojik (financing from Chinese Ex-Im Bank)	58 (completed)
TOTAL			2,080

### Sub-Sector Best Prospects

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HS Code	Item description
8402	Steam or other vapor generating boilers (other than central heating hot water boilers capable also of producing low pressure steam); super-heated water boilers.
8404	Auxiliary plant for use with boiler, condensers for steam and vapor power units.
8406	Steam turbines, vapor turbines.
8410	Hydraulic turbines, water wheels, and regulators.
8411	Turbo jets, turbo propellers and other gas turbines.
8502	Electric generating sets and rotary converters.
8503	Parts suitable for use solely or principally with the machines of heading No. 85.01 or 85.02
8504	Electrical transformers, static converters and inductors
8532	Electrical capacitors, fixed, variable or adjustable (pre-set)
8535	Electrical apparatus for switching or protecting electrical circuit, or for making connections to or in electrical circuits, for a voltage exceeding 1000 volts
8536	Electrical apparatus for switching or protecting electrical circuit, or for making connections to or in electrical circuits, for a voltage not exceeding 1000 volts

### Opportunities

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Tajikistan has enormous hydropower potential, but only a small fraction is being developed, primarily due to political tensions between Tajikistan and Uzbekistan. The latter opposes any large scale construction of hydro projects in Tajikistan.. The Government of Tajikistan is marketing a number of small, medium, and large hydropower projects on three main rivers: the Zarafshon, Vakhsh and Panj. It is also planning to construct a new coal-fired power plant in the north.

Potential hydroelectric power station projects in Tajikistan include:

	<b>Vaksh River</b>	<b>Projected Capacity (MW)</b>
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1	Rogun	3,600
2	Shurob	750
	<b>Obi Hingou River</b>	
3	Sangvor	800
4	Urfat	850
5	Shtien	600
6	Evtaj	800
7	Kaftarguzarskaya	650
	<b>Surhob River</b>	
8	Djalbulak	600
9	Sairon	500
10	Gorgen	600
11	Garm	400
	<b>Panj River</b>	
12	Dashtijum	4,000
13	Barshorskaya	300
14	Anderobskaya	650
15	Pishtskaya	320
16	Horogskaya	250
17	Rushan	3,000
18	Yazgulem	850
19	Shirgovatskaya	1,900
20	"Granitniy Vorota"	2,100
21	Hostavskaya	1,200
22	Djumarskaya	2,000
23	Mosvoskaya	800
24	Kokchinskaya	350
25	Verhneamudarinskaya	1,000
	<b>Zerafshan river</b>	
26	Matchinskaya	90
27	Riomutskaya	75
28	Oburdonskaya	120
29	Pahutskaya -1	130
30	Pahutskaya -2	
31	Iskanderdkulskaya	120
32	Yagnobskaya	150
33	Ravatskaya	50
34	Fondarinskaya	300
35	Zahmatabadskaya	
36	Sangistanskaya	140
37	Vishkansкая	160
38	Yavanskaya	160
39	Dupulinskaya	200

40	Penjikent -1	50
41	Penjikent -2	45
42	Penjikent -3	65
43	Dargaskaya HPS	
	<b>Varzob River</b>	
44	Pugus	16.2
45	Gushar	17
	<b>Kafirnihan River</b>	
46	Vistan	54
47	Sarvoz	42
48	Yavroz	90
49	Bagjiddin	125
50	Lower Kafirnigan	72

Source: : U.S. Embassy staff estimates and Ministry of Energy and Water Resources)

: U.S. Embassy staff estimates

Implementation of hydropower projects will generate opportunities in industrial sector, construction and engineering services, electrical power systems, mining industry equipment, power transmission equipment, and renewable energy equipment.

#### Web Resources

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CASA-1000: <http://casa-1000.org/>

World Bank:

<http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/ECAEXT/0,,contentMDK:22743325~pagePK:146736~piPK:146830~theSitePK:258599,00.html>

Asian Development Bank: <http://beta.adb.org/countries/tajikistan/main>

Ministry of Energy and Industry of Tajikistan: [www.minenergoprom.tj](http://www.minenergoprom.tj)

Open Joint Stock Energy Company: <http://www.barkitojik.tj>

Sangtuda-1 Hydro power station: <http://www.sangtuda.com/>

## Food Processing and Packaging

### Overview

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Unit: USD thousands

	2012	2013	2014 (estimated)	2015 (estimated)
Total Market Size	\$1,500,000	1,600,000	1,700,000	1,800,000
Total Local Production	650,000	700,000	750,000	800,000
Total Exports	\$2,200	1,200	2,000	2,200
Total Imports	234,000	255,000	275,000	300,000
Imports from the U.S.	4,300	7,800	8,000	8,200
Exchange Rate: 1 USD	4.76	4.77	4.90	5.10

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Data Sources: *Ministry of Economic Development and Trade, Department of Trade, Tajik Customs Service, January 2013*

Total Local Production: \$750 million

Total Exports: \$2 million

Total Imports: \$275 million

Imports from U.S.: \$8 million

In 2013 Tajikistan's agricultural sector produced over \$3.2 billion worth of goods, comprising 21.1% of the country's GDP.

Tajikistan has the potential to develop its agriculture and agro-processing sectors due to its comparative advantages including soil, water and weather conditions. Roughly 70% of the population lives in rural areas, and the availability of inexpensive field labor exceeds demand, even for labor-intensive crops.

The majority of small farmers lack access to farm machinery and, although some machinery service providers (MSPs) exist, their equipment is often old and outdated. Farmers compete for machinery at planting and harvest time, which lowers production. Expanding existing MSPs and developing new ones will help to overcome this production bottleneck.

Agribusiness value-added chains in Tajikistan are fragmented and disjointed due to low levels of farm production and a lack of raw materials for processors. Farmers often have difficulty seeds, fertilizer, and pesticides. Farmers are often unfamiliar with modern business management practices. Post-harvest losses are significant due to antiquated or non-existent transportation equipment and a lack of good storage facilities. The low supply of harvested food means that food processing plants operate at a fraction of their capacity. Quality control, certification, marketing, packaging, and branding of Tajik products is weak.

Adopting a value-chain approach would help Tajik agribusinesses overcome some of these obstacles. Businesses all along the value-chain have reported difficulty gaining

access to credit and problems with high interest rates, especially for loans denominated in Tajik somoni. . Processors and other agribusiness need assistance to develop and strengthen their businesses, adopt international quality standards and certification, and invest in new processing and packaging equipment.

#### Overall statistics and marketing analysis

In 2013 Tajikistan's food processing industry was valued at over \$700 million, approximately 25% of Tajikistan's \$1.8 billion total industrial output. The food industry is the second largest contributor to gross industrial output, processing domestically harvested fruit, wheat, tobacco, and other agricultural products.

In 2013 Tajikistan accepted Islamic Halal food standards.

Production and demand of the main food items in Tajikistan, 2013 (with a population of 7.9 million)

	Theoretical consumption demand per year	Production in Tajikistan	Import	Total imports and local production	% of supplies to meet the normal consumption demand	
	thsnd tons	thsnd tons	thsnd tons	thsnd tons	Total (production and import)	Produced in Tajikistan
Meat and meat products	547	86.5	35.4	121.9	22.3	15.8
Milk and dairy products	2172.3	828.2	11.7	839.9	38.7	38.1
Wheat flour	1102.3	706.6	478.2	1184.8	107.5	64.1
Vegetables	1142.5	1985.7	6.3	1985.7	173.8	173.8
Fruits	627.6	504.7	227.1	731.8	116.6	80.4
Sugar	250.2	n/a	98.3	98.3	39.3	n/a
Vegetable oil	96.5	17.5	58.5	76.0	78.7	18.1
Potatoes	362.1	1115.6	n/a	1115.6	308.1	308.1
Eggs (mln)	1762.0	343.7	125.5	469.2	26.6	19.5

*(Source: Ministry of Economic Development and Trade, Department of Trade, Tajik Customs Service, January 2013)*

The food-processing sector in Tajikistan has 21 sub-sectors, including canned vegetables, canned fruits, fresh and dry fruits, meat and dairy processing, feed and confectionary production, organic (animal) oil, vegetable oil, pasta, liquor, wine, beer, non-alcoholic drinks, salt, and tobacco production. There are over 600 companies in the sector. Once wholly government-owned, the industry is now largely private, and has a strong demand for capital equipment. Most enterprises are small seasonal operators, selling to local markets.



Following the break-up of the Soviet Union in 1991, the output of the food processing sector sharply declined, reaching an all-time low in 1999 as a result of the collapse of the centralized planning and sales system and the lack of operating capital, coupled with political and economic instability.

Tajikistan was a major producer of fruits and vegetables in the former Soviet Union, with annual exports reaching 200,000 tons (100,000 tons of fruit, 60,000 tons of vegetables, and 30,000-40,000 tons of canned food) prior to 1990. Although more acreage is now in food production than during the Soviet era, lower per-hectare agricultural yields have prevented overall production from increasing. .

Between 1991 and 2013, only two food processing projects received significant investment: the \$12.6 million Obi Zulol water bottling plant and a \$3.97 million fruit and vegetable juice packaging line in Khujand. International donors and banks plan new investments in the sector. Other small packaging facilities in Tajikistan use mainly Chinese equipment. In general, however, most processing and packaging equipment in the country is very outdated, with some machinery dating back to the 1930s.

The amount of land used to cultivate fruits and vegetables in Tajikistan increased by 40 thousand hectares between 2008 and 2013, but investment into food processing and packaging has been negligible. Tajik producers can process only up to 20% of Tajikistan's fruit and vegetable output.

#### **Sub-Sector Best Prospects**

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There is demand for food processing on all scales. Additional opportunities exist for U.S. investors who are willing to establish joint ventures and partnerships with existing producers to add value to products.

The best prospects for U.S. exporters and investors are:

- Machines to process fruits, nuts, and vegetables;
- Machines for cleaning, sorting, and grading seeds, grains, and vegetables;
- Juice extractors;
- Machines for filling, closing, and sealing bottles, cans, boxes, bags, or other containers, and food storage;
- Fruit dehydrators.

In general the following items are in demand, arranged by International Harmonized System (HS) Product Codes:

<b>HS Code</b>	<b>Item description</b>
8418	Refrigerators, freezers and other equipment; heat pumps
8419	Dehydrating, cooking, sterilizing, and cooling machinery
8421	Filtering and purifying machinery for liquid or gases
8422	Machinery for filling, closing, and sealing bottles, cans, boxes, bags or other containers
8423	Weighing machinery
8434	Milk and dairy machines

8435	Presses and crushers for fruit juice and beverage manufacturing
8437	Cleaning, sorting, grading machinery
8438	Machinery for industrial manufacturing of foods and drinks
8441	Paper box making and paper cutting machines

## Opportunities

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In general, opportunities exist in fresh fruits and vegetables production, processing, and related services such as cold storage facilities or transportation; there is also potential for organic production and exports to high-value markets.

## Web Resources

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Links of related reports on food processing and packaging in Tajikistan

- Development of proposals on adjusting strategies of industry development on fruit and vegetable processing in Tajikistan (2012)  
[http://www.agroinform.tj/project2/publications/ru/tahiyai\\_peshnihodhoRu.pdf](http://www.agroinform.tj/project2/publications/ru/tahiyai_peshnihodhoRu.pdf)
- Strategy to develop exports – fruit and vegetable processing sector in Tajikistan 2006-2010 <http://itctj.files.wordpress.com/2011/01/taj-sectoral-export-strategy-2005-r.pdf>
- 2014 project for commercialization of agriculture in Tajikistan  
<http://moa.tj/rus/novosti/proekt-po-kommertsializatsii-sel-skogo-hozyajstva-pksh/>
- Training on the concept and design of food security 2013  
[http://www.foodsec.org/fileadmin/user\\_upload/eufao-fsi4dm/docs/Training\\_FSIS\\_March\\_2013\\_rus.pdf](http://www.foodsec.org/fileadmin/user_upload/eufao-fsi4dm/docs/Training_FSIS_March_2013_rus.pdf)
- Eastern Europe and Central Asia Agro-Industry Development Country Brief 2011  
[http://www.fao.org/fileadmin/user\\_upload/Europe/documents/Publications/AI\\_briefs/AI\\_briefs2012/fao\\_tajikistan.pdf](http://www.fao.org/fileadmin/user_upload/Europe/documents/Publications/AI_briefs/AI_briefs2012/fao_tajikistan.pdf)
- Case Study Regarding Apricot Primary Packing in Tajikistan 2011  
<http://etc4ca.com/wp-content/uploads/2011/06/Apricot-Packing-Report.pdf>
- Aglinks Final Report, Kyrgyzstan, Kazakhstan, Tajikistan and Turkmenistan 2008  
[http://pdf.usaid.gov/pdf\\_docs/Pdacm094.pdf](http://pdf.usaid.gov/pdf_docs/Pdacm094.pdf)
- Research on Agricultural Value Chains in Tajikistan 2011  
<http://www.mfc.org.pl/sites/mfc.org.pl/files/Value%20Chains%20research%20report%20Tajikistan%20final.pdf>
- Procuring Wheat Flour, Pulses and Vegetable Oil in Tajikistan 2011  
<http://documents.wfp.org/stellent/groups/public/documents/ena/wfp237289.pdf>
- Economic Development, External Shocks and Food Security in Tajikistan 2012  
<http://www.ifpri.org/sites/default/files/publications/ifpridp01163.pdf>
- Potential of Organic Products produced in Tajikistan 2012  
[http://www.agroinform.tj/project2/publications/en/Potential\\_of\\_organic\\_products.pdf](http://www.agroinform.tj/project2/publications/en/Potential_of_organic_products.pdf)
- Assessing the Market Potential of Local Agrobiodiversity products in the Tajik Pamirs 2010 <http://www.tropentag.de/2010/abstracts/full/391.pdf>
- Support for Food-processing Small and Medium Enterprises, 2010  
[http://ec.europa.eu/europeaid/where/asia/regional-cooperation/trade-business/documents/tajik\\_food\\_en.pdf](http://ec.europa.eu/europeaid/where/asia/regional-cooperation/trade-business/documents/tajik_food_en.pdf)

List of food processing companies in Tajikistan

- [www.anatis.tj](http://www.anatis.tj) - bottled water
- <http://makolli.tj/> - wheat flour and baked goods
- <http://www.isfarafood.tj/> - dried fruits
- <http://tajero.tj/index.htm> – production and distribution of food products
- [www.obizulol.tj](http://www.obizulol.tj) –bottled water
- [www.oaoshahrinav.tj](http://www.oaoshahrinav.tj) –alcoholic beverages
- [www.dusti-amirkhon.tj](http://www.dusti-amirkhon.tj)
- [www.sladosti.tj](http://www.sladosti.tj)
- [www.asal.tj](http://www.asal.tj)
- <http://capital-t.tj> – distribution company

## MINING EQUIPMENT AND SERVICES

### Overview

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Unit: USD thousands

	2012	2013	2014 (estimated)	2015 (estimated)
Total Market Size	180,000	220,000	280,000	340,000
Total Local Production	180,000	200,000	250,000	300,000
Total Exports	170,000	190,000	240,000	280,000
Total Imports	10,000	20,000	30,000	40,000
Imports from the U.S.	3,400	2,000	3,000	4,000
Exchange Rate: 1 USD	4.76	4.77	4.90	5.10

(Source: U.S. Embassy estimates. State Statistics Agency under the President of Tajikistan, 2013 Due to restrictions on public information in the mining sector, figures for production, exports, and imports are unknown.)

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Data Sources: State Statistics Agency under the President of Tajikistan, 2013

Total Local Production: Unknown

Total Exports: Unknown

Total Imports: Unknown

Imports from U.S.: Unknown

Tajikistan has significant mineral resources requiring, long term investments for development, including large deposits of rare metals, rare-earth elements, and uranium. Current Tajik government policies discourage private investment and promote Chinese-led projects backed by “soft” loans to the central government.

As of 2013, Tajikistan was not a large scale producer of minerals and metals. The country has significant mineral resources, including antimony, gold, lead, zinc and coal. Antimony is mined in relatively large quantities by the U.S.-owned company Comsup Commodities.

. In spite of Tajikistan’s mineral wealth, the mining sector accounted only for approximately 2.3% (\$200 million) of GDP (\$8.5 billion) in 2013.

Development of the sector will require modern technology, exposure to market-oriented management, increased human capacity, better transportation links, and comprehensive surveys on the full potential of Tajikistan’s deposits. This will require significant investments.

Although the Tajik government recognizes the need to develop the entire mining sector, mining and research operations are currently limited to gold, coal, some precious and semi-precious stones, and a few other minerals and non-ferrous metals, as well as construction materials, including marble and gypsum.

Most of the mining surveys and research currently in use were conducted during the Soviet era, and may be outdated.

### **Role of Government**

In theory, the Tajik government supports expansion of the mining sector, diversification of mining practices, and development of existing mines. It has pledged to simplify procedures for obtaining exploration and mining permits. In practice, however, cumbersome bureaucratic procedures and wavering political will may delay permit approval by months or years. Currently, publicly available information about Tajikistan's mineral resources is minimal, because the government considers much of this information to be a state secret.

### **Deposits**

Tajikistan is a mineral rich country with more than 600 documented deposits of some 70 different minerals including silver, gold, lead, zinc, antimony and mercury.

### **Foreign Investors**

Several foreign investors are active in the country, primarily in the gold sector. However, foreign investment remains extremely low because of concerns about the unstable social and political conditions in the country.

Foreign investors are also concerned because of Tajikistan's proximity to Afghanistan and tend to prefer making small investments.

The largest foreign investors are companies from Canada, the U.S., the UK, Korea, Germany, Switzerland, Italy, and Russia.

Tajikistan mine operators have invited U.S. mining companies to participate in the development of both existing and new mining projects. U.S.

A lack of roads suitable for transporting equipment and ores and insufficient electrical energy supplies around the country present a barrier to mining development.

During the Soviet era, uranium ore mined in Tajikistan, Uzbekistan, and Kazakhstan was milled into yellowcake at the Vostochnyy Rare Metal Industrial Association (Vostokredmet), previously known as the Leninabad Mining and Chemical Combine, in Chkalovsk. The combine incorporated seven mines and several plants, most notably Combine No. 6 (Uranium Plant V), and processed up to 1,000,000 metric tons of uranium ore per year to produce yellowcake for the Soviet nuclear power and defense industries. Reportedly, Chkalovsk once had the capability to convert uranium concentrate into uranium hexafluoride, and housed a secret uranium enrichment plant built in 1940. The state enterprise Vostokredmet has refocused production on gold, silver, ferromolybdenum, and the manufacturing of various related goods.

Tajikistan stopped mining uranium in 1992 and, by law, the size of its uranium reserves is considered a state secret. Though the Chkalovsk region may be depleted of uranium, Tajik officials claim that the Pamir region in the south and east may contain large uranium reserves.

## Domestic Mineral Consumption

According to the State Statistics Committee, there are 10 enterprises in the metallurgical sector. As of 2007, the latest year for which data are available, the metallurgical complex accounted for 45% of the total industrial sector. The two largest companies are TALCO (aluminum production) and Vostokredmet (assorted metal and chemical processing).

Following is a list of mineral deposits and operating companies:

Mineral	Operating Company	Deposit
Antimony	Anzob Ore Mining & Processing Enterprise	Jijikurt
	Isfara Hydrometallurgy Enterprise	Isfara
Coal	Shurob Grey Coal	Shurob
	Fan Yaghnob Deposit of Coking Coal	Ayni district
	Nazaraylak Deposit of Coking Coal	Rasht district
Gold	Zerafshan Gold Company, LLC	Taror Ore Field Chorinski Ore Field Chinarsayski Ore Field
	Darvaz Joint Venture	Yahsu, Khovaling
	Aprelevka Joint Venture	Aprelevka, Burgunda
Ferrovandium, Ferrotitanium, and Ferromolybdenum	Leninabad Enterprise of Rare Metals	Choruh-Dayron
Vanadium	Eastern Rare Metals Enterprise (Vostokredmet)	Chkalovsk
Mercury	Anzob Ore Mining & Processing Enterprise	Jijikurt
Silver and Zinc	ATRU Mining Enterprise Konimansuri Kalon deposit: Tender process led by International Finance Corporation	Altyn-topkan village Sughd Oblast
Uranium	State Enterprise Eastern Rare Metals (Vostokredmet)	Chkalovsk
Tungsten	Maihura	Dushanbe outskirts

## Sub-Sector Best Prospects

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HS Code	Item description
8428	Lifting, handling, loading and unloading machinery
8429	Self-propelled bulldozers, angle dozers, graders, levelers, scrapers, mechanical shovels, excavators, shovel loaders, tamping machines and road rollers.
8430	Other moving , grading, leveling, scraping, excavating, tamping, compacting, extracting or boring machinery for earth, minerals or ores; pile drivers and pile extractors.
8431	Parts for use solely or principally with the machinery of headings 84.25 to 84.30.
8704	Motor vehicles for the transport of goods

## Silver

The Konimansuri Kalon silver, lead and zinc deposit is located in the Sughd administrative division and province of Tajikistan, 51 km northeast of the provincial capital of Khujand. The area is seismically active (Modified Mercalli Scale 8).

Polymetallic, silver-lead-zinc mineral deposits are the most economically significant in the area, with minor copper-bismuth deposits occurring at depth. The Konimansuri Kalon deposit has a uniform density, with a 2.4 km strike length, oriented in the northwest direction, with a width of 600 m to 800 m and an average thickness of 500 m.

Exploration data for the Konimansuri Kalon deposit was made available to Micon International (IFC's technical advisor) to create an electronic database and digital model for the deposit. The result of Micon's work is a database containing sample assay data from exploration drill holes and underground workings, 3D wireframes of the topography, the geological contacts, the State Committee for Reserves (GKZ) approved mineral reserve blocks, and an open pit designed to exploit the GKZ approved mineral reserves. Micon used the digital database as the basis for its estimate of the mineral resources of the Konimansuri Kalon deposit, following the definitions and guidelines of the Australasian JORC Code and CIM Standards on Mineral Resource and Reserves.

Konimansuri Kalon Mineral Resources, on September 30, 2009, evaluated the deposit as follows:

Category	Cut-Off Grade Ag (g/t)	Tonnage (Mt)	Grade			Contained Metal		
			Ag (g/t)	Pb (%)	Zn (%)	Ag (kt)	Pb (kt)	Zn (kt)
Indicated	15	700.0	69	0.35	0.30	48	2,474	2,117
Inferred	15	355.2	61	0.25	0.22	22	888	778
Total	15	1055.2	66	0.32	0.27	70	2262	2895

Power lines and other supply infrastructure will be required to meet the expected 120 MW to 140 MW demand of up to a 25 Mt/y operation on Konimansuri Kalon. Given existing and projected national winter power deficits, power is a significant issue. With appropriate permits, the required water supplies could be sourced from the Kayrakum reservoir, albeit over a significant distance and elevation change. Upgrading the existing road between Adrasman and Khujand is considered possible. The international tender coordinated by IFC was not completed due to lack of institutional capacity of Tajik Government to deal with large scale, long term projects, and was postponed indefinitely.

## Coal

There are 35 known coal deposits in Tajikistan, with cumulative geological reserves estimated at 4 billion tons. The government is especially eager to develop this sector in the hope of alleviating Tajikistan's chronic energy crisis. The largest deposit is Fon-Yaghnob (between Khujand and Dushanbe), a reserve of approximately 800 million

tons. The launch of an open pit mine will create opportunities in production of chemical products such as benzene, ammonium sulfate, and naphthalene.

The Nazarayloksk deposit in the Gharm region has estimated geological reserves of approximately 210 million tons of coal, based on the Soviet-era surveys. Tajik government officials forecast that reserves could be as high as 500 million tons.

Other deposits include Miyonadu, Ziddi, Sayat, Chashmai Sang, Tashkurgan, Shurobod, Kshtut-Zauran, Shishkat, and Magian. The high altitude, harsh climate, and complex geological settings of these deposits make mining opportunities challenging, but not insurmountable.

### **Mercury and Antimony**

Primary deposits of mercury and antimony are located within the Zerafshan and Gissar valleys and in the Pamir Mountains. Industrial reserves are estimated for the following deposits:

- Jjikurt
- Shing and Magian Groups
- Konchoch

Ores in these deposits are complex and can include both mercury and antimony; ores in Konchoch, however, contain mostly antimony. The Anzob Ore Mining and Processing Enterprise is situated at the Jjikurt deposit.

Deposits at Skalnoye and Asrud-Yaghnob have only received limited evaluation, and lack reliable deposit estimates.

### **Nepheline syenite**

Nepheline syenites in the Turli deposit (Gharm zone) could be processed to produce alumina, cement and other chemical products such as potash, sodium metasilicate and calcium metasilicate. Industrial reserves are estimated at approximately 300 million tons.

### **Gold**

According to estimates from the Tajik Academy of Sciences, gold deposits are estimated at 429.3 tons. Tajikistan's largest gold mining operation is located in Sughd Province, with most mines located southeast of Gharm, in the Pamir Mountains, in the Yakhsu Valley, Chkalovsk, and Jilau. Furthermore, in 2013, Tajikistan announced the discovery of two massive gold deposits in central and northern Tajikistan (118 tons and 59 tons, respectively).

The main customers for precious metals are the Ministry of Finance and the Central Bank of Tajikistan.

### **Tin**



Tin is mined at the Mushiston deposit.

### **Zinc (Zn)**

Tajikistan's zinc reserves are located at the Altyn-topkan and Ak-tash deposit. There is an ore processing facility located at the latter deposit.

### **Tungsten (W)**

Tajikistan's primary Tungsten lode is at the Mayhura deposit.

### **Bismuth (Bi) and Iron (Fe)**

The Chokadambulak deposit contains significant amounts of Bismuth and Iron.

### **Nickel (Ni)**

The Gumas deposit in the Vanj district is a major source of nickel ore.

### **Boron (B)**

Boron deposits have been located in Akarhar and in Murgab, both in the Badakhshan region.

## **Web Resources**

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- Ministry of Energy and Industry of Tajikistan: [www.minenergoprom.tj](http://www.minenergoprom.tj)
- Main Geology Department of Tajikistan: <http://www.gst.tj/>
- Exploration Services in Tajikistan, source: <http://www.cac-geoportal.org/en/index.php/mining-experiences/exploration-services/exploration-serv-tj>
- Tajikistan Mining Laws and Regulations, source: [http://books.google.com/books/about/Tajikistan\\_Mining\\_Laws\\_and\\_Regulations\\_H.html?id=3Y8TefmnR-IC](http://books.google.com/books/about/Tajikistan_Mining_Laws_and_Regulations_H.html?id=3Y8TefmnR-IC)
- Tajikistan Gold Mines map, source: <http://www.cccarto.com/atlas/goldmines/tajikistan/>
- Zeravshan Joint-Venture Gold Mines in Tajikistan: <http://www.zjky.cn/publish/english/tab941/info29047.htm>
- IFC: Unlocking Tajikistan's Mining Potential, source: [http://www.ifc.org/wps/wcm/connect/region\\_\\_ext\\_content/regions/europe+middle+east+and+north+afrika/ifc+in+europe+and+central+asia/countries/unlocking+tajikistan+mining+potential](http://www.ifc.org/wps/wcm/connect/region__ext_content/regions/europe+middle+east+and+north+afrika/ifc+in+europe+and+central+asia/countries/unlocking+tajikistan+mining+potential)

- Compare Tajikistan's mine deposits, source: <http://mineral-resources.findthedata.org/d/d/Tajikistan>
- 2010 Minerals Yearbook, source: <http://minerals.usgs.gov/minerals/pubs/country/2010/myb3-2010-ti.pdf>
- Tajikistan Mining Industry News, source: <http://mining.einnews.com/country/tajikistan>
- Metallurgy and Mining Institute of Tajikistan, source: [http://www.minenergoprom.tj/view\\_srednaukae.php?id=2](http://www.minenergoprom.tj/view_srednaukae.php?id=2)
- Rubi, Emerald, Spinel mining areas in Central Asia, source: <http://www.fieldgemology.org/gemology%20tajikistan%20ruby%20spinel%20pamir.php>
- Pakrut Gold Mine in Tajikistan, source: [http://www.cnmc.com.cn/detailen2.jsp?article\\_millseconds=1318946114079&column\\_no=011501](http://www.cnmc.com.cn/detailen2.jsp?article_millseconds=1318946114079&column_no=011501)
- Progress Report on EITI 2013, source: <http://eiti.org/files/EITI-progress-report-2013.pdf>
- Tajikistan Geology, source: <http://www.ecogeodb.com/ECO.asp?C=TJK>
- Geological Map of Tajikistan, source: <http://www.geoportal-tj.org/index.php/maps/geological-map>
- Geological map of Tajikistan, source: <http://gst.tj/ru/content/geologicheskaya-karta-respubliki-tadzhikistan>

## Construction Equipment and Services

### Overview

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Unit: USD thousands

	2012	2013	2014 (estimated)	2015 (estimated)
Total Market Size	1,000,000	1,100,000	1,200,000	1,300,000
Total Local Production	800,000	900,000	1,000,000	1,100,000
Total Exports	n/a	n/a	n/a	n/a
Total Imports	2,000	2,000	2,000	2,000
Imports from the U.S.	n/a	n/a	n/a	n/a
Exchange Rate: 1 USD	4.76	4.77	4.90	5.10

*(Source: State Statistics Committee 2011 and U.S. Embassy estimates. Information about imports and exports is unavailable, although trade with the United States in this sector is negligible. The numbers include overall construction sector investments)*

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Data Sources:

Total Local Production: \$1 billion

Total Exports: n/a

Total Imports: \$2 million

Imports from U.S.: n/a

The construction sector in Tajikistan has developed rapidly in the past two years and continues to grow at an average rate of 17% per year. The construction sector is a mostly state-financed industry. Prior to 2003 the sector attracted little investment due to the unstable business environment and lingering effects of the 1992-97 civil war. The sector accounted for 14% of GDP in 2013.

. . .

The main client is the government, which commissions the vast majority of construction in Tajikistan. Using financing from the state budget and foreign loans (primarily from China), it is commissioning hydro energy projects, road building, and other infrastructure construction. Government contracts make up a relatively small percentage of the housing market, however.

Despite large investments into hydroelectric power, roads, and tunnels over the past eight years, neither the government nor the private sector has significantly invested in the production of tangible goods. The local business environment still does not favor long-term investments into this area due to problems with credit accessibility, lack of respect for property rights, and an unpredictable business climate.

### Investment in Construction in Tajikistan

*in billion USD*

	2007	2008	2009	2010	2011	2012	2013
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<b>Domestic investment</b>	<b>0.2</b>	<b>0.4</b>	<b>0.52</b>	<b>0.62</b>	<b>0.96</b>	<b>0.66</b>	<b>0.79</b>
...state investments	0.14	0.3	0.45	0.56	0.5	0.42	0.47
...private investment	0.05	0.09	0.07	0.06	0.46	0.22	0.32
<b>Foreign investment (includes in off-shore-held but locally owned entities)</b>	<b>0.46</b>	<b>0.8</b>	<b>0.52</b>	<b>0.35</b>	<b>0.23</b>	<b>0.18</b>	<b>0.33</b>
<b>Total Investment</b>	<b>0.7</b>	<b>1.2</b>	<b>1.04</b>	<b>0.97</b>	<b>1.19</b>	<b>0.84</b>	<b>1.13</b>

*Source: State Statistics Committee, 2013*

In 2013 the energy sector accounted for 17.2% of the country's total investment volume in the construction sector. This includes the Sangtuda-1, Sangtuda-2, and Roghun projects. The construction sector is dominated by state-led construction projects with loans from China, Russia, and Iran. In addition to hydro, priority is given to road and tunnel construction, which is mainly funded by foreign loans, primarily from the Chinese Government.

Due to a relatively underdeveloped banking sector, many Tajiks prefer to invest in real estate, and home construction is active in the suburbs and rural parts of the country. Although most large-scale construction is done by Italian, Chinese, Turkish, and Russian companies, local construction companies are growing as well. Domestic firms are mainly involved in building housing, schools, and hospitals, and in renovation projects.

### **Production of Construction Materials**

There are 200 companies involved in construction materials production, with total volume of \$150 million in 2013. The main products are cement, gypsum, bricks, steel/cement construction, and non-ferrous materials. Seven companies are involved in cement production, with a combined production potential of up to one million thousand tons. This could potentially meet 80% of domestic market demand in Tajikistan, greatly reducing its reliance on imports. In 2012-2013 Tajikistan imported 700 thousand tons of cement from Pakistan (through Afghanistan) and Uzbekistan.

### **Regulatory Agencies**

There are 15 regulatory and project design agencies in Tajikistan. The five key players are:

GIPROSTROY – The State Institute of Design and Construction

GIPROPROM – The State Institute of Design and Industry

CANIPOSF – The Central Asian Scientific Research Institute for Foundations and Layers

NIIGUP Construction and Architecture – The Scientific Research Institute State Unitary Enterprise of Construction and Architecture.

## **Construction Companies**

There are an estimated 2000 construction companies in Tajikistan, 90% of which are private sector companies and 10% of which are state owned.

In spite of the large number of companies, just a few key players dominate 60% of the construction market: TADES, Story Invest Company, Mavorunahr, Domostroytel, Alkon, Na-Na, Monolit Stroy, SohtmonMahsus, Promstroy, and Honasoz.

## **Main Clients in the Construction Sector**

The Directorate of Construction Sites, located in the President's Executive Office, is the key office for state contracts. It coordinates and controls the construction of all government-owned buildings and projects.

In the city of Dushanbe the key government body for construction is the Department of Capital Construction, which directly reports to the Mayor.

Beyond this, key customers and clients in the construction sector are the governments of Tajikistan and other states. The World Bank, the Asian Development Bank, and the governments of China, Russia, Iran, and Kazakhstan are all involved in infrastructure development in Tajikistan.

## **Credit and Financing in the Construction Sector**

Long-term loans are not available for most Tajik construction companies, which prefer to operate on a cash basis. The government mainly finances its infrastructure and energy projects by attracting foreign loans and credits of foreign government and International Financial Institutions.

Risks associated with the construction sector involve delayed government payments and corruption that interferes with competition and equitable regulation

## **Construction in Dushanbe**

In 2008-2013, several commercial projects were launched in Dushanbe. Among those are construction of four 5-star luxury hotels (Hyatt, Serena, Sheraton and one with no specific affiliation yet), four large business centers (Sozidanye, Vefa, Dushanbe Plaza, and Poitakht) and several commercial office renovation projects. In 2011-2014 Asian Development Bank invested more than \$200 million in the renovation of a highway connecting Dushanbe with Uzbekistan. In 2012-2014 the Qatar construction and development company, "Qatari Diar," invested more than \$500 million in the construction of high quality upscale housing, business centers, and shops in Dushanbe. Private companies, in cooperation with the Dushanbe mayor's office, plan to invest up to \$500 million to develop Dushanbe's central streets by building modern highrise structures. According to the Tajik government's National Development Strategy for 2005-2015, more projects are planned in all major segments of the construction sector.

Industry representatives contacted by the U.S. Embassy say that the sector “needs almost any construction equipment, machinery, and tools that are available on the market.” The strong demand stems from the fact that much existing machinery is well beyond its lifespan, has been poorly maintained, or is simply inoperable.

The following items (classified according to the International Harmonized System (HS) Product Codes) are in particular demand:

<b>HS Code</b>	<b>Item description</b>
842542	Hydraulic jacks
842511	Hoist
842611	Overhead cranes
842612	Mobile lifting cranes
842620	Tower cranes
8427.10-90	Fork-lift trucks; other works trucks fitted with lifting or handling equipment
8428.10-90	Other lifting, handling, loading or unloading machinery
8429.11	Track laying bulldozers
8429.12-19	Angle dozers
8429.20	Levelers and motor graders
8429.20	Graders and levelers
8429.30	Scrapers
8429.40	Road rollers
8429.40	Tamping machines and road rollers
8429.51	Shovel loaders, front end
8429.51	Front-end shovel loaders
8429.52-59	Excavators and crawlers
8429.52	Machinery with a 360 degrees revolving superstructure
8430.00	Other moving, grading, leveling machines
8430.10	Pile-drivers and pile-extractors
8430.31	Rock cutters and tunneling machinery
8430.61	Tamping or compacting machinery
8431	Parts suitable for use solely or principally with the machinery of headings 84.25 to 84.30.
8479.10	Machinery for public works, building or the like (Pavers)
8701.10	Pedestrian controlled tractors
8701.20	Road tractors for semi-trailers
8701.30	Track-laying tractors
8701.90	Off highway tractors
8704.10	Motor vehicles for the transport of goods. Dumpers designed for off-highway use. Other, with compression-ignition internal combustion piston engine (diesel or semi-diesel) :
8704.21	-- g.v.w. not exceeding 5 tons
8704.22	-- g.v.w. exceeding 5 tons but not exceeding 20 tons
8704.23	-- g.v.w. exceeding 20 tons
8704.31	Other, with spark-ignition internal combustion piston engine : -- g.v.w. not exceeding 5 tons
8704.32	-- g.v.w. exceeding 5 tons
8705.10	Crane lorries
8705.20	Mobile drilling derricks

8705.40	Concrete-mixer lorries
9015.10-80	Surveying instruments

## Opportunities

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Construction in Tajikistan is a complicated and opaque market. U.S. companies may see stiff competition from Russian, Iranian, Chinese, Turkish and Italian construction companies. There are some opportunities for construction equipment sales in Tajikistan. For example, Caterpillar, through a European partner, is active in the Tajik market.

## Web Resources

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State Statistics Agency under the President of Tajikistan: [www.stat.tj](http://www.stat.tj)

National Bank of Tajikistan: [www.nbt.tj](http://www.nbt.tj)

Agency on Land, Geodesics and Mapping under the Government of Tajikistan, address: Republic of Tajikistan, Dushanbe, 4/1 Abaya Street, phone: +992 37 2217321; fax: +992 37 2311487

Agency on Construction and Architecture under the Government of Tajikistan, address: Republic of Tajikistan, Dushanbe, 36 Huseinzoda, phone: +992 37 221 88 53; fax: +992 37 2213690; email: [agentstroy@mail.ru](mailto:agentstroy@mail.ru)

## Aviation Sector

### Overview

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Unit: USD thousands

	2012	2013	2014 (estimated)	2015 (estimated)
Total Market Size	1,500,000	1,500,000	10,000	
Total Local Production	n/a	n/a	n/a	n/a
Total Exports	n/a	n/a	n/a	n/a
Total Imports	\$180,000	10,000	10,000	
Imports from the U.S.	180,000	0	0	
Exchange Rate: 1 USD	4.76	4.77	4.90	5.10

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Data Sources:

Total Local Production: n/a

Total Exports: na/

Total Imports: \$10 million

Imports from U.S.:

Tajikistan is a small aviation market in Central Asia. Three major airline companies are active in the domestic market: state owned “Tajik Air;” and the privately owned “Somon Air;” and “East Air.” Somon Air operates six Boeing aircraft. Tajik Air has a fleet of 36 planes on paper, but operates only 12. The remaining 24 aircraft (TU-134s and Yak-40s) have been put into long term storage. The active Tajik Air fleet consists of the following aircraft: one Boeing 757-200; one Boeing 737-500; one Boeing 737-300; one TU-154M; two AN-28s; one AN-26; one MA-60 and three Mi-8MTV helicopters. Privately owned “East Air” operates two Boeing 737 and two Airbus A320 aircraft. Together, the three carriers transported 847,020 passengers in 2012, 78% of whom flew between Tajikistan and Russia.

The Civil Aviation Department within Tajikistan’s Ministry of Transport has yet to resolve internal management issues and establish best-practices. It is therefore not considered a capable regulator of the country’s airline industry. None of the airlines based in Tajikistan have become an International Air Transport Association (IATA) member, but Somon Air is implementing a plan to meet IATA standards.

Tajikistan has airports in four major cities which are capable of servicing Boeing 737 planes: Dushanbe, Khujand, Kulob, and Qurghon-Teppa. Several smaller airports exist, but have not been operational since 1991. All airports have one runway. Dushanbe International airport is capable of operating both passenger and cargo planes.

The aviation market is tightly controlled by Tajik businessmen politically connected to the government. It is important to have a well-connected local partner for effective marketing, sales, and distribution in Tajikistan.

To overcome the country’s geographic isolation and poor ground transportation infrastructure, the Tajik government has prioritized the establishment of new



international routes and domestic flights. In addition to the three major airlines based in Tajikistan, nineteen foreign airline companies are operating in Tajikistan as of 2014, bringing the number of carriers to 22. These foreign carriers are State Transport Company Rossiya (GTK Russia), Siberia Airlines (aka S7), Orenburg Airlines, Ural Airlines, Tatarstan Airlines, UTair Aviation, Taimyr Air Company, Yakutia Airlines, Airline Donavia, Vim Avia Airlines, Avia Traffic Company, Air Astana (Kazakhstan), Turkish Airlines, Kam Air (Afghanistan), China Southern Airlines, Osmon Air (Iran), Air Arabia, Ukraine International Airlines, and FlyDubai (UAE).

Somon Air began operating in 2008. Since October 2012, Somon Air has cut costs, improved services, adopted international Customer Relationship Management standards, and established a staff training program. Somon Air has Multilateral Interline Traffic agreements with Turkish Airlines, Etihad Airways, Safi Airways, and Nas Air. Somon Air's market share has grown steadily since its founding, reaching 28% in 2013. It now operates flights on 24 routes. National airline Tajik Air accounts for 18% of the market in Tajikistan, having steadily lost market share to Somon Air. Tajik Air has a codeshare agreement with airBaltic and operates flights on 19 routes. East Air was founded in 2007 and operates flights on 10 routes.

The Tajik government is concentrating its limited resources on projects to upgrade airports to meet international air traffic standards. The Dushanbe International Airport extension project is budgeted at \$37 million to enhance the runway and apron, and upgrade terminal buildings to handle large, modern aircraft. The Khujand Airport rehabilitation project is budgeted at \$7.2 million to rehabilitate an emergency runway, install high-intensity lights, and modernize radio and ground control safety equipment, but construction has not yet begun. The Tajik government also plans to upgrade the small airport in Danghara.

Tajikistan's aviation infrastructure is relatively underdeveloped compared to markets in Kazakhstan, Uzbekistan, or Turkmenistan. With three main airline companies and four major airports, there is a demand for the full range of aviation equipment. The aviation market requires aircraft components, software, aviation fuel (a sector monopolized by Russia's GazProm), ground support equipment, and avionics and air navigation equipment. Since 2008, annual demand for air industry services, equipment, and spare parts for planes has varied between \$4 to \$10 million, depending on where customers are in their inventory lifecycle.

Boeing dominates the internal aircraft market of Tajikistan, but airlines have been in talks with representatives of Europe's Airbus, Russia's Suhoi Superjet, and China's MA-60 manufacturers. Somon Air has a \$2.5 million annual contract with the A.J. Walters firm for parts and maintenance.

The primary barriers to market entry are the need for political connections and the potential customers' lack of financial resources for capital investment.

Somon Air hopes to launch an expansion program beginning in 2014, widening its fleet from six aircraft to as many as 24 in the coming decade, and will therefore be in the market for new aircraft.

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American-Tajik Chamber of Commerce [www.amcham.tj](http://www.amcham.tj)

## Tourism Sector

### Overview

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Unit: USD thousands

	2012	2013	2014 (estimated)	2015 (estimated)
Total Market Size		5,600	5,600	5,600
Total Local Production		N/A	N/A	N/A
Total Exports		N/A	N/A	N/A
Total Imports		N/A	N/A	N/A
Imports from the U.S.		N/A	N/A	N/A
Exchange Rate: 1 USD	4.76	4.77	4.90	5.10

The Tajik tourism market is, as of 2013, estimated at \$5.6 million. For 2013, the State Committee on Youth Affairs, Sports, and Tourism (SCYST) reported 15,421 Tajik citizens used tour agencies to travel abroad, while 2,728 foreign tourists used local tourism agencies to visit Tajikistan. According to SCYST, 207,911 foreign visitors came as tourists in 2013, comprising roughly 65% of total foreign visitors.

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Data Sources:

Total Local Production:\$5.6 million

Total Exports:0

Total Imports:0

Imports from U.S.:0

Tajikistan is not yet considered a tourist destination. A 2013 Worldwide Travel and Tourism competitiveness survey ranked Tajikistan 114th out of 140 countries. Tajikistan scored 90 of 140 for its Travel and Tourism regulatory framework (policy rules/regulations, environmental sustainability, safety/security, health/hygiene, and prioritization of Travel and Tourism), 123 of 140 for its business environment and infrastructure (air and ground transport, tourism and communications infrastructure, and price competitiveness), and 122 of 140 for its human, cultural, and natural resources.

Tajikistan is very poorly served by international flight connections. No western airline flies to Dushanbe. There are very few flights, and the flights that do exist are expensive. The requirements for obtaining permits to visit certain regions (including the Gorno-Badakhshan Autonomous Region and other border areas) are extremely bureaucratic. Generally speaking, the services at the airports and at border crossings do not meet international tourism standards.

The Committee of Youth Affairs, Sports and Tourism's Tourism Development Department is the primary regulator for the tourism sector. . . This department has approximately a dozen employees and maintains representative offices in four regions and 56 districts, although these representative offices are not always staffed. The Tourism Development Department (TDD) is charged with adopting tourism-related

legislation, regulations, strategies, and concepts; licensing Tajik tour operators and travel agencies; collecting and analyzing statistical data related to tourism; international marketing of Tajikistan as a destination; Supporting the development of a strong private sector in the tourism industry; and promoting a constructive dialogue between the public and private sector. The TDD is cooperating with tourism administrations in other countries and international organizations on initiatives and projects

In 2013 there were 74 officially registered tourist companies in Tajikistan. The number includes five tourist companies in the Gorno Badakhshan region, 19 tourist companies in the Sugd Region, 48 tourist companies in Dushanbe, and two in Districts of Republican Subordination.

As of January 1, 2014 in Tajikistan there were 69 officially registered hotels, including four 5-star hotels in Dushanbe, one 4-star hotel, one 3 star, and 17 without any categories. In the Sugd Region there are two hotels.

The tourism industry in Tajikistan is continuing to develop, primarily in the Pamir and Fann mountain regions, which attract sightseers, climbers, and hikers. . . Local agencies provide all-inclusive driving tours along the Pamir Highway, Wakhan Valley, and the Zarafshan Valley, hiking expeditions in the Fann Mountains and Pamir region (with guides, porters, and mules), climbing, skiing, hang gliding, paragliding, and whitewater rafting.

Sport hunting began in Tajikistan in 1987, and continues to be organized by five officially licensed Tajik companies based out of hunting lodges in the Pamir region. Packages cost \$30,000 per tourist/hunter to track (and kill, if desired) Marco Polo sheep, Siberian Ibex, wild boars, and brown bears. Sheep and Ibex season runs from September to December, while bear season runs from September to October. The Tajik government requires hunters to have a Tajik government license, a rifle permit, a tourist visa, and border transit permits.

## **Opportunities**

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American travel agencies with clients seeking exotic adventure vacations high in the mountains could partner with Tajik travel firms and share the commission. This could prove lucrative for firms with clients interested in game hunting expeditions.

## **Web Resources**

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[www.visittajikistan.tj/](http://www.visittajikistan.tj/) - Official Site of the State Committee for Youth Affairs, Sports, and Tourism

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## Chapter 5: Trade Regulations, Customs and Standards

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### Import Tariffs

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Tajikistan's official trade regime is relatively liberal; tariff rates range between zero and fifteen percent, with the overall trade-weighted import tariff averaging out to around seven percent. The world's forty-five least developed countries are exempt from import tariffs. Tajik Customs Code in general complies with WTO requirements on evaluation and rates and Agreement on Rules of Goods Transit. The main difference is in the evaluation methods of goods for customs purposes.

### Trade Barriers

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Trade barriers are principally limited to quotas on the import of alcohol and tobacco products.

Non-tariff barriers include excessive requirements for certification of goods for health, safety, and security reasons. Tajikistan has largely retained the comprehensive system of mandatory standards dating from the Soviet Union, but as a small, poor country, it is unable to administer them. The lack of well-equipped laboratories, trained staff, and transparent pricing and regulations make it particularly difficult to obtain required certifications.

Tajikistan has no export tariffs.

### Import Requirements and Documentation

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Importing goods into Tajikistan is complicated and time-consuming. Comprehensive information on the process is on the Tajik Customs Agency website: [www.customs.tj](http://www.customs.tj). Importers should be aware, however, that requirements may change with little notice, and that actual procedures on the border may differ substantially from official regulations.

A customs inspector will begin clearing goods by creating a file containing the following documents, which the importer should have ready:

- Copy of the importer's certificate of registration to confirm that it is a legal entity
- Copy of the taxpayer identification number (the original must be shown during each phase of the clearance process)
- Copy of the charter (usually not required, but should be ready if requested)
- Copy of incorporation documents (usually not required, but should be ready if requested; if equipment from manufacturing plants is being imported as chartered capital, a registered charter and legal statement from the Ministry of Justice should be included)
- Copy of the certificate of registration with the State Statistics Committee (customs agents may request to see the original during each clearance procedure)

The basic document of the customs clearance process is the Customs Cargo Declaration, which includes information about the shipment contents, ownership, and destination.

Below is the list of documents that must be attached to the Customs Cargo Declaration:

- Power of attorney authorizing an agent – a certified staff member or customs broker – to conduct the customs clearance
- International sales contract
- Shipping documents (bill of lading, packing list, customs declaration of the shipping or transit country, etc.);
- Invoice
- Certificate of Origin
- Bank reference confirming 100% payment of the advance payment for the listed goods
- Transit declaration, confirming arrival of goods to point of destination
- Compliance with limits and/or prohibitions
- Certificate of Quality issued by Tajikstandart, or one of the appropriate certified laboratories:
  - Quarantine Certificate for agricultural products, issued by the State Quarantine Agency of the Ministry of Agriculture and Environmental Protection
  - Veterinary Certificate issued by the Office of Veterinary Control of the Ministry of Agriculture and Environmental Protection
  - Quota and licenses for alcohol and tobacco products issued by the Ministry of Agriculture and Environmental Protection
  - Certificate for pharmaceutical goods issued by the Ministry of Health
  - Certificate for import of agricultural products, ornamental and cultivated plants (including seeds), and silkworm issued by the Ministry of Agriculture and Environmental Protection
  - Certificate for radio electronic devices and high frequency devices issued by the Ministry of Transport Communications

## **U.S. Export Controls**

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Tajikistan adheres to international export controls and works in cooperation with the United States and other Western countries in implementing export controls on certain sensitive technologies. U.S. export controls on items exported from the United States to the Republic of Tajikistan are generally similar to those in effect on items exported to other Western destinations. The procedures for obtaining licenses differ from practices in the United States and western countries. Please contact the U.S. Embassy in Dushanbe or the U.S. Department of Commerce, Bureau of Export Administration, Washington, D.C. Tel.: (202) 482-2547, Fax: (202) 482-3617 for details on U.S. export controls.

## **Temporary Entry**

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Having arrived at a port of entry, imported goods remain in temporary storage under the control of customs officials, until they are released according to procedures. Goods can be temporarily stored in appropriate facilities or locations for a fee. Private companies can apply to the customs department for a license to operate private temporary storage facilities. A fee must be paid for the license. The Customs Department periodically publishes a list of temporary customs warehouses.

In general, to place goods in a warehouse, customs officials request only documentation identifying the goods to be stored; these documents can be submitted in English.

The owner of the temporary customs warehouse is responsible for payment of customs dues for stored goods. If the customs authorities own the temporary customs warehouse, the owner of the goods or entity who placed the goods in the warehouse is responsible for duties.

Unless otherwise specified, goods can be stored at a temporary customs warehouse for a maximum of twenty days. For goods in certain categories, this period may be shorter.

## **Labeling and Marking Requirements**

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Labeling and marking requirements for products depend on the type of product and the intended use. The law requires that labels must be in the Tajik language, although in practice many (if not most) labels are in Russian. Labels can be affixed to the product or on a leaflet attached to the product. Information must include the name of the product, name of the producer, country of origin, and, in some cases, instructions for use. Labels for some products, such as foods, beverages, food supplements, and textiles, must also provide content and composition.

Tajik importers and distributors are responsible for correctly labeling products that are put on the market and can typically advise the U.S. exporter of specific requirements regarding labeling and marking.

## **Prohibited and Restricted Imports**

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According to the Customs Code, imports of some commodities may be prohibited for reasons of national security; protection of public order, morality, or health; protection of

animals and plants or the environment; protection of art, historical and archaeological values of Tajikistan and foreign countries; protection of property, including intellectual property; and protection of interests of national consumers and other lawful interests of Tajikistan.

Alcohol and tobacco products are subject to license and regulations limited imports.

## **Customs Regulations and Contact Information**

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The current customs code, which provides a general outline of customs procedures, became effective in March 2006. Additional legal documents govern specific areas of the customs-related issues and procedures.

Customs Service at the Government of Tajikistan  
50 Buhoro Street  
Dushanbe, Tajikistan 734025  
Tel: +992 (37) 221-1872  
Fax: +992 (37) 223-2723, 221-4630

## **Standards**

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## **Overview**

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Tajikistan inherited a standardization system from the Soviet Union, and the majority of standards now in place are outdated. Standardization and certification are two processes of a single system aimed at ensuring product quality and safety. Standardization sets norms, regulations and characteristics of a product, processes, and services for multiple use and reproduction. Certification confirms compliance of products, goods, works, and services to these standards.

Tajikistan is in the process of harmonizing its standards with international norms. U.S. companies should be aware that, in theory, Tajikistan has a comprehensive system of mandatory standards but in fact cannot properly administer the complex and demanding standards system. Lack of well-equipped laboratories, qualified staff, and effective enforcement capacity are serious problems. In principal Tajikistan accepts the conformity certificates of its major trading partners; in practice, however, some importers say this does not happen.

The Law on Certification of Products and Services and other acts regulate certification procedures in Tajikistan. According to article 12 of the Law on State Foreign Trade



Regulation, all commodities imported to Tajikistan are required to meet technical, pharmacological, sanitary, veterinary, photo-sanitary and environmental standards and requirements. All services and processes are subject to certification, the procedure for which is in theory the same for all products.

## Standards Organizations

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The organization responsible for developing and maintaining standards within the Republic of Tajikistan is the Agency for Standards, Metrology, Certification and Trade Inspection of the Ministry of Economy and Trade (Tajikstandart), the website for which is <http://standard.tj/> (note that while the website has some English language content, more information is available in Russian).

### NIST Notify U.S. Service

Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries.

**Notify U.S.** is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. Register online at Internet URL:

<http://www.nist.gov/notifyus/>

## Conformity Assessment

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All imported goods must be certified by Tajikstandart or other appropriate agencies as specified by Tajikstandart. Even if goods were certified within an international system, it is still necessary to seek Tajikstandart's confirmation that the international standards are in compliance with Tajik laws.

For perishable goods (produce with up to a one-month shelf-life), produced in countries that are signatories to the World Trade Organization's Technical Barriers to Trade (TBT) Agreement, clearance is based on certification of the manufacturer/producer and its quality-control process.

For imported perishable goods from countries outside of the TBT Agreement, the importer should submit proof of product safety, which should include information on product testing, including qualitative and quantitative indicators.

## Product Certification

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According to the law "On Certification of Products and Services" (No. 314, dated December 13, 1996, with amendment No. 24 dated May 3, 2002) Tajikstandart carries out mandatory certification duties. Other entities involved in mandatory certification are authorized state certification entities, testing laboratories/centers, manufacturers (sellers and contractors) as well as central bodies of certification systems, as defined in particular cases, for coordination of activities for similar products. Tajikstandart's information on certification (in Russian) is here:

[http://www.standard.tj/index.php?option=com\\_content&task=view&id=3&Itemid=4](http://www.standard.tj/index.php?option=com_content&task=view&id=3&Itemid=4).

Products and services that have provisions, under laws or standards, for mandatory requirements for life, safety, consumer health, protection of the environment, and damage to consumer property, are subject to additional mandatory certification according to the certification list. These products include:

- Children's products
- Food products, processed agricultural products, and feed
- Pharmaceuticals and herbs
- Consumer goods that have contact with skin, food products, or drinking water
- Fuel
- Consumer chemicals
- Perfumery and cosmetics
- Poisonous chemicals and mineral fertilizers
- Agricultural machinery, equipment for household purposes
- Agricultural equipment
- Personal defense products
- Electronic and radio devices (for testing on electric and magnetic compatibility and safety)
- Construction materials
- Communication products
- Products with materials subject to fire and explosion
- Explosive materials and devices for explosive works, storage under pressure, and weight lifting machinery
- Oil, oil products, gas, electric energy, and heat energy

## **Accreditation**

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The accreditation of testing laboratories (centers) is based on Tajik standard (TjST 5.4-94), effective January 1, 1995, which sets basic requirements on the procedure for certification and accreditation within the Tajik National Certification System. The standard is in line with ISO-2 guidelines and the ISO 8402 standard. Accreditation of testing laboratories is mandatory.

Accreditation and supervision of laboratories is the responsibility of Tajikstandart, but may involve other certification bodies, consumer unions, and manufacturers' representatives.

## **Publication of Technical Regulations**

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Technical regulations are available in the Tajikstandart library upon official request, but are not generally published.

## **Labeling and Marking**

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If, for safety purposes, goods require special handling in storage, shipment, or utilization, the manufacturer (or contractor) must indicate these rules in shipping documents and products markings, or in other ways, and the seller must make sure that consumers are aware of these rules.

## **Contacts**

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Tajikstandart (Agency for Standardization, Metrology, Certification and Trade Inspection)  
42/2 Negmat Karabaeva Street  
Dushanbe, Tajikistan 734018  
Tel: +992 (37) 233-6869  
Fax: +992 (37) 233-1933  
<http://www.standard.tj/>

National Health Certification Center, Ministry of Health  
5/5 Alisher Navoi Street  
Dushanbe, Tajikistan 734025  
Tel: +992 (37) 221-1945  
Fax: +992 (37) 221-0895

State Communications Inspectorate  
Ministry of Communications  
57 Rudaki Avenue, 3rd floor, Office 312  
Dushanbe, Tajikistan 734025  
Tel: +992 (37) 221-7183

Veterinary and Phytosanitary (Ministry of Agriculture and Environmental Protection)  
Ministry of Agriculture and Environmental Protection  
44 Rudaki Avenue  
Dushanbe, Tajikistan 734025  
Tel: +992 (37) 221-1596

## **Trade Agreements**

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Tajikistan has signed bilateral agreements on trade and investment facilitation with the following countries: Austria, Bulgaria, Hungary, Vietnam, India, China, Korea, Kuwait, United Arab Emirates, Pakistan, Syria, Slovakia, the United States of America, Turkey, Czech Republic, Afghanistan, and Iran.

Tajikistan is a member of the Commonwealth of Independent States (CIS), the Eurasian Economic Community (EEC), and the Shanghai Cooperation Organization (SCO). CIS and EEC agreements regulate transit of goods through relevant territories.

An agreement on bilateral trade relations between the United States and Tajikistan was signed on July 1, 1993. But the status of its ratification by Tajik Parliament is not clear.

In 2004, the United States Government and the Central Asian governments signed a Regional Trade and Investment Framework Agreement.

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Tajikstandart: <http://www.standard.tj/>

Commonwealth of Independent States: <http://cis.minsk.by/>

Eurasian Economic Community: <http://www.evrazes.com>

The Shanghai Cooperation Organization: <http://www.secsco.org/>

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## Chapter 6: Investment Climate

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### Openness to Foreign Investment

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#### **1.1 Attitude Toward FDI**

The Government of Tajikistan mostly courts state-led investment and external loans from the country's perceived geopolitical friends rather than making conditions favorable for private investors from abroad. Through non-transparent practices and barriers to competition, the government burdens the private sector with unnecessary costs and creates substantial uncertainty and risk. Accordingly, the principal investors in recent years have been governments with geopolitical interests in the region, especially China, Russia, and Iran.

#### **1.3 Laws/Regulations of FDI**

Pursuant to Article 4 of Tajikistan's Investment Law, the government guarantees the equality of rights of foreign and local investors. Practically all of Tajikistan's international agreements have a provision for most-favored-nation status. Per Tajik law, foreign investments can be made by:

- Owning a share in existing companies, jointly with either other Tajik companies or Tajik citizens;
- Creating fully foreign-owned companies which operate according to Tajik law;
- Acquiring assets, including shares and other securities;

- Acquiring the rights for use of land and other mineral resources, as well as exercising other property rights either independently or shared with other Tajik companies and citizens of Tajikistan; or
- Concluding agreements with legal entities and citizens of Tajikistan that provide for other forms of foreign investment activity.

In principle, the judicial system recognizes sanctity of contracts; in practice, contract enforcement is poor, due in part to inadequate legal awareness. In addition to questions of competence, the judicial system suffers from a lack of independence, and government officials have in several notable cases leaned on judges to produce favorable outcomes in business disputes. Although Tajikistan is party to a number of arbitration agreements and conventions, it does not have its own internationally recognized arbitration system. The courts do not always respect or uphold international arbitration rulings. In May 2012, Tajikistan acceded to New York Convention of 1958 on Recognition and Enforcement of Foreign Arbitral Awards, which should bring improvements in this area for foreign investors.

Tajikistan has made a number of changes that have improved its World Bank “Doing Business” rankings in recent years (<http://www.doingbusiness.org/data/exploreeconomies/tajikistan/>), moving from 152 in 2011 to 143 in 2014 (out of 185 countries). The most significant reform was the implementation of a “single-window” business registration system, which applies to both foreign and domestic applicants and reduces red tape associated with opening a business. Applicants now pay a fixed fee at the Tax Committee and are supposed to receive permission to begin operating within five working days. The Tajik government enacted targeted reforms in 2012, including the aforementioned accession to the New York Convention and adoption of a law guaranteeing the rights of minority shareholders. Given Tajikistan’s paucity of corporations, with or without minority shareholders, the shareholders’ rights law has limited scope in practice. The 2013 Doing Business report also highlighted improvements in protecting investors and the process for registering property.

Tajikistan’s State Committee on Investments and State Property, created in 2006 to assist investors, has done little to fulfill its mission. There are no established criteria for screening investment proposals, requiring potential investors go through a lengthy review process by all (potentially) concerned government agencies rather than working with a single investment promotion agency. The government has privatized most Soviet-legacy small and medium enterprises, but the largest concerns remain in state hands. Although there are no limits on foreign participation, in many circumstances the government makes non-transparent decisions that favor investors with connections to the existing power structure. Some of the largest enterprises, which dominate Tajikistan’s transportation, infrastructure, and electricity distribution and maintenance sectors, will remain government-owned for the foreseeable future.

There is no legally sanctioned discrimination against foreign investors at the time of an initial investment or after the investment is made. Current investment laws and the tax code provide for investment incentives, including a taxation waiver on initial investment and value-added tax (VAT)-free importation of some **industrial equipment**. Companies may have a difficult time realizing these benefits due to poor implementation of tax regulations and/or corrupt tax authorities. The onus of proving that an investment qualifies for the benefits is on the investor, and Tajik authorities are often skeptical. The

government also attempts to increase revenue by taxing profitable companies more aggressively. For example, the government introduced a 3% tax on cell phone providers in 2011 and for Internet service providers in 2012. Not surprisingly, the **communications** sector is one of the few bright spots in the Tajik economy. The fact that the tax burden is placed on companies that have a greater degree of compliance with regulations results in distorted competition. To avoid predatory behavior by the ruling elite, some foreign investors find it easier – some say necessary – to establish joint ventures with well-connected local officials.

According to some sources, even well-meaning companies inevitably violate some tax legislation, since internal contradictions and draconian rules often make it impossible to abide by all existing requirements. This plays into the hands of corrupt regulators, who can demand bribes to ignore evidence of violations. The government reinstated a moratorium on business inspections from October 1, 2011 to September 30, 2014, with the stated goal of increasing foreign investment into the manufacturing sector of economy.

### **1.9 Investment Trends**

All types of investments (including FDI, loans, and credits) from Tajikistan's trading partners totaled \$486 million in the first nine months of 2013. FDI in Tajikistan reached \$209 million in the third quarter of 2013. China, Russia, Qatar, Great Britain, Turkey, and Iran were the leading foreign investor countries in Tajikistan in 2013 with FDI stock of \$184 million. China's FDI stock in Tajikistan as of the third quarter of 2013 totaled \$93 million, Russia's \$44 million, Qatar's \$18 million, Great Britain's \$17.6 million (this may reflect investment in off-shore operations of Tajik companies registered in the British Virgin Islands), Turkey's \$7 million, and Iran's \$4 million. All types of investments from other investor countries, including the United States, totaled \$25 million during the same period, according to the Tajik Statistics Agency. The National Bank of Tajikistan estimated FDI inflow in the second quarter of 2013 at \$82.6 million or 3.7% of Tajikistan's Gross Domestic Product (GDP). The Ministry of Economic Development and Trade expects that in 2014, 2015, and 2016 the FDI stocks will be maintained around \$400 million a year.

President Rahmon has made many public and private statements calling for increased foreign investment, particularly in **energy** and transport infrastructure. With continued improvements in the investment climate, opportunities exist in **energy**, **telecommunications**, **construction**, **food processing**, **textiles**, **consumer goods**, healthcare, natural resource extraction (mining, oil, gas), and tourism.

Although the Tajik economy has grown rapidly since 2000, Tajikistan still has less industrial diversity, lower literacy rates, a weaker national health infrastructure, higher unemployment, and lower levels of investment in infrastructure than when it was a Soviet republic in 1990. According to the National Bank of Tajikistan, the country's GDP grew 7.4% in 2013 to 40.5 billion (\$8.5 billion). TJS The informal economy is substantial; according to some estimates, it may be as large as \$2 billion. Tajikistan's banking sector is relatively undeveloped, and businesses tend to raise capital through other means, including selling assets and borrowing from other companies or individuals.

The government does not place geographic restrictions on business operations, but rugged topography (93% of the country is mountainous), poor infrastructure, and a lack of reliable electricity impose their own restrictions. Many roads in Dushanbe and Khujand are in poor condition, and roads outside of major towns are often unpaved and poorly maintained. A few major routes, such as those between Dushanbe and Khujand, Dushanbe and Gharm, and Dushanbe and the Afghan border have been or are being renovated with foreign financing. The opening of the Chinese-built Shakhriston tunnel, along the route between Dushanbe and Khujand in October 2012 shortened the trip between Tajikistan's two main commercial centers by about one hour, while two tunnels built between Dushanbe and Kulob in 2012 and 2013 provided similar benefits. Weather also impacts commerce since overland travel to mountainous parts of the country, such as the Gorno-Badakhshan Autonomous Oblast, is difficult, if not impossible, in the winter and spring. Electricity production is well short of demand during cold-weather months. For three to six months of the year, most parts of the country outside of Dushanbe receive only a few hours of power each day. Overland import/export requires patience and ingenuity, as customs agents at borders and internal checkpoints frequently seek bribes to allow passage.

**TABLE 1:** The following chart summarizes several well-regarded indices and rankings.

Measure	Year	Rank or value	Website Address
TI Corruption Perceptions index	2013	(154 of 177)	<a href="http://cpi.transparency.org/cpi2013/results/">http://cpi.transparency.org/cpi2013/results/</a>
Heritage Foundation's Economic Freedom index	2013	(139 of 177)	<a href="http://www.heritage.org/index/ranking">http://www.heritage.org/index/ranking</a>
World Bank's Doing Business Report "Ease of Doing Business"	2013	(143 of 189)	<a href="http://doingbusiness.org/rankings">http://doingbusiness.org/rankings</a>

**TABLE 1B - Scorecards:** The Millennium Challenge Corporation, a U.S. Government entity charged with delivering development grants to countries that have demonstrated a commitment to reform, produced scorecards for countries with a 2012 per capita gross national income (GNI) or \$4,085 or less. A list of countries/economies with MCC scorecards and links to those scorecards is available here: <http://www.mcc.gov/pages/selection/scorecards>. Details on each of the MCC's indicators and a guide to reading the scorecards, are available here: <http://www.mcc.gov/documents/reports/reference-2013001142401-fy14-guide-to-the-indicators.pdf>.

## Conversion and Transfer Policies

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### 2.1 Foreign Exchange



Tajikistan does not restrict conversion or transfer of “reasonable sums” of money. There are no legal limits on the kinds of transfers – i.e., whether commercial or otherwise. However, an underdeveloped banking infrastructure, with strict government controls and limited capital, presents obstacles for investors in finding local sources of financing. Although legal, businesses often find it difficult in practice to conduct large currency transactions due to the limited amount of foreign currency available in the domestic financial market. Investors are free to import currency.

The minimum charter capital for the newly established banks is 50 million somoni (about \$10.6 million) and the minimum regulatory capital for the existing commercial banks is 30 million somoni (about \$6.3 million). All banking institutions meet this requirement. Thirteen of the 16 banks in Tajikistan have a foreign stake in their authorized capital. Tajikistan’s banking sector includes five foreign bank branches and the state-owned Amonat Bank.

## **Expropriation and Compensation**

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The Law on Investments details the types of actions that can be taken with regard to expropriation of property. There have been no known cases where foreign commercial entities have had their property seized, but there have been several recent cases of potential or actual state expropriation of Tajik-owned private property under politically motivated circumstances. Though Tajik Law states that investors are to be reimbursed for expropriated property, actual compensation may be minimal. Predatory behavior by officials has bordered on a “creeping expropriation” in which business assets are taken without effective due process. Businesses in all sectors are unpredictably threatened by such activities.

## **Dispute Settlement**

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### ***4.1 Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts***

In official pronouncements, the Tajik government espouses its commitment to the rule of law; in practice, it has not demonstrated a clear understanding of the concept’s importance to investors. The international community, including the United States, has encouraged Tajikistan to improve its legal system, with mixed results. Tajik courts usually resolve commercial disputes in less than one year, and the Tajik government has passed a number of well-written laws, but implementation and consistent interpretation lag behind. Few people, especially small business owners, are aware of their rights and responsibilities. Tajikistan’s weak judiciary is ill-equipped to defend the interests of investors. As a general rule, disputes are solved by appealing to government officials who are as highly placed as possible. The victor is frequently the party whose contact is more powerful.

### ***4.2 Bankruptcy***

Tajikistan has well-written commercial and bankruptcy laws. Tajikistan's bankruptcy law does not differentiate between foreign and domestic investors. The country's contract law is modeled on European legislation. These laws are regulated under the country's Civil Code, but they are not always enforced in the courts.

#### **4.4 International Arbitration**

##### **4.4.1 ICSID Convention and New York Convention**

In 2012, Tajikistan became a party to the New York Convention of 1958 on the Recognition and Enforcement of Foreign Arbitral Awards. In 1993, Tajikistan became a member of the International Association on Investment Guarantees as well as the International Center for the Settlement of Investment Disputes (Washington Convention). However, Tajikistan does not have a bilateral investment agreement with the United States, and domestic courts still accept judgments of foreign courts on a case-by-case basis. The U.S. asserts that Tajikistan's 1992 commitment to honor treaties inherited from the Soviet Union means the 1973 Convention on Matters of Taxation remains in force, but the Tajik government has expressed interest in negotiating a new bilateral agreement.

### **Performance Requirements and Incentives**

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#### **5.2 Investment Incentives**

Current legislation provides equal tax and customs incentives to local and foreign investors. In practice, companies with close connections to the government get preferential treatment. The government does not formally impose performance requirements as a condition for establishing, maintaining, or expanding investment. Although there is no requirement to "buy locally," it is encouraged. Operating from a Soviet-era legal code (and mentality) that views anything beneath the land's surface as a potential state secret, the government has been reluctant to offer mining concessions to foreign companies. An effort to revise the legislation is underway, and the government has made some effort to attract foreign mining projects, but generally only on the condition that the State is given a controlling interest or receives a substantial advance payment. The government has also established four Free Economic Zones that provide reduced taxes and customs fees to clients located therein.

### **Right to Private Ownership and Establishment**

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The government wants to encourage business development, but faces major obstacles, including its own poor management, cronyism, and corrupt practices. In principle, private entities may establish and own businesses and engage in almost all forms of remunerative activity. Foreign entities may establish, acquire, and dispose of interests in business enterprises. In practice, the old Soviet mentality still prevails. Government inspectors often operate on the principle that activities are not permitted unless they are expressly allowed (or unless the inspector is remunerated for adopting a more flexible interpretation), and since laws are often not readily accessible to public nor uniformly applied and interpreted, businesspeople often report frustration with Tajikistan's

business climate. In some cases, the existence of informal networks of clan-based, interrelated suppliers force would-be investors to "buy in" to the system, hindering competition and sometimes constraining new investors from fully participating.

## **Protection of Property Rights**

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Undeveloped legal avenues for dispute resolution create a weak environment for property rights protection in Tajikistan.

### ***7.1 Real Property***

According to Tajik law all land belongs exclusively to the state; individuals or entities may be granted first- or second-tier land use rights. Foreigners' first-tier land use rights are restricted to 50 years while Tajik individuals and entities have indefinite first-tier land use rights. Foreigners' second-tier land use rights are similar to those of Tajik individuals and entities, and are granted by holders of first-tier land use rights under the lease agreements for a term of not more than 20 years.

There are no legal limitations on foreign ownership or control of other property, except for owning residences, but the procedure of using land-use rights as collateral is not well defined. Efforts have been made to address this issue through amendments to the land code, but unfortunately the practical value of such modifications has not yet been realized. The government adopted mortgage legislation in March 2008 which allows parties to use immovable property as collateral. Further progress was made when Tajikistan's new Land Code was signed into law by the President in August 2012, but effective implementation will be difficult for the capacity-constrained government.

When secured interests in property do exist, enforcement remains an issue. Investors should be aware that establishing title may be a more involved process than in western countries since ownership is often unclear. The Tajik government has a track record of re-nationalizing former state-owned properties in cases where it claims the original privatization had been carried out illegally. Ownership of rural land can be particularly opaque, since many nominally "privatized" former collective farms continue to operate as a single entity. Many of the new "owners" do not in fact know where their land is and do not exercise property rights as such. A cadastre system to record, protect, and facilitate acquisition and disposition of property exists, but needs improvement. The legal system is not adept at quickly and efficiently settling disputes.

### ***7.2 Intellectual Property Rights***

Tajikistan is party to a number of conventions honoring intellectual property rights, but enforcement of such rights remains a low priority for the country. Tajikistan is a signatory to the World Intellectual Property Organization (WIPO) Convention, but has left seven of the 24 WIPO treaties unsigned, including the Patent Law Treaty.

## **Transparency of Regulatory System**

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Cronyism, nepotism, and corruption create a business environment that favors those with connections to government officials. Tajikistan's regulatory system lacks transparency and poses a serious impediment to business operations. Regulators and officials often apply laws arbitrarily and are unable or unwilling to make decisions without a supervisor's permission, leading to lengthy delays. Executive documents -- i.e., presidential decrees, laws, government orders, instructions, ministerial memos, and regulations -- are often inaccessible to the public, leaving businesses and investors in the dark about rules. Each ministry has its own set of unpublished normative acts that may contradict laws or the normative acts of other ministries.

Tajikistan introduced a new national tax code as of January 1, 2013. The new tax code officially contains 10 different types of taxes (reduced from 18) but some of the abolished taxes are now embedded in those that remain.

An inspections law signed in 2006 and promoted extensively by the International Finance Corporation (IFC) has reduced the practice of government agencies shaking down enterprises for bribes, but reports of such incidents are still widespread. President Rahmon reinstated a three-year moratorium on business inspections on October 1, 2011, with the hope of improving this situation. Tajikistan is working towards adopting international accounting standards, but these are not yet implemented.

Tajikstandart, the government agency responsible for certifying goods and **services**, calibrating and accrediting testing laboratories, and supervising compliance with state standards, lacks experts and appropriate equipment. It nevertheless has the mandate to inspect and approve even the most technologically complicated imports. Tajikstandart does not publish its fees for licenses and certificates or its regulatory requirements. As a result, businesses are vulnerable to individual inspectors' whims. So far no concrete steps have been taken to create proposed "one-stop shops" for certifying businesses in various categories.

The government has made a number of efforts to promote business reforms, but such efforts generally have been more rhetorical than substantive. As long as government inspectors treat their positions as a license for rent-seeking – and as long as the government tolerates it – Tajikistan will remain a difficult place for investors.

## **Efficient Capital Markets and Portfolio Investment**

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### ***9.1 Money and Banking System***

Tajikistan's nascent banking sector faces numerous challenges: insufficient capital, limited banking **services**, mistrust, and fallout from earlier banking system crises. The national currency, the somoni, was introduced in October 2000.

The total value of announced authorized capital of all commercial banks in Tajikistan was 2.1 billion somoni (approximately \$420 million) as of December 2013. Banking sector assets totaled 12.6 billion somoni (approximately \$2.5 billion). As of December 2013, there were 16 banks, one non-banking financial organization, and 120 microfinance organizations in Tajikistan, as well as the National Bank of Tajikistan. Nine banks are joint stock companies, two are state-owned (Amonat Bank and AgroInvestBank), and five are branches of foreign banks: Tejorat (Iran);

KazCommerceBank (Kazakhstan); First Micro Finance Bank of Tajikistan (owned jointly by the Aga Khan Fund for Economic Development and the IFC); Access Bank Tajikistan (a development bank owned jointly by the IFC, the European Bank for Reconstruction and Development, and the German Development Bank KfW); and Kont Investment Bank (currently operating under U.S. sanctions due to ties to Iranian-Turkish oil smuggler Babak Zanjani).

Tajik law requires newly established banks to maintain minimum charter capital of 50 million somoni (about \$10.6 million) and requires existing commercial banks to maintain 30 million somoni (about \$6.3 million) in regulatory capital. All banking institutions meet this requirement. Thirteen out of 16 banks in Tajikistan have a foreign stake in their authorized capital.

The majority of Tajikistan's foreign currency and capital comes from remittances sent by Tajiks working abroad. The ratio of remittances to GDP, estimated at 50% in 2013, is the highest in the world. During this period, more than a million Tajiks worked abroad, primarily in Russia, and sent home more than \$4.2 billion through the banking system and informal channels, an increase of roughly \$600 million over the \$3.6 billion sent in 2012. Although an increasing share of remittances flows through the banking system, banks have limited success in convincing consumers to deposit funds into savings accounts that could be used for investment.

The private sector has access to several different credit instruments, but interest rates in Tajikistan are very high. Commercial banks offer loans with annual interest rates averaging 27% for loans denominated in Tajik somoni and 23% for foreign currency-denominated loans. For the most part, the few foreign companies operating in Tajikistan do not rely on local sources of credit. There is no securities market, and enabling legislation is in its infancy. The government issues treasury bills to cover budget deficits, using local banks to cover the loans.

According to experts, the banking sector's legal framework is adequate, but laws and regulations are not always enforced or correctly implemented. On occasion, banks have been directed to lend to particular entities, sometimes at below-market rates. Partly as a result of direct and related lending, the banking sector is experiencing some liquidity difficulties, and 20% of the credit portfolio is classified as non-performing. Lending to small and medium enterprises is much healthier with a non-performance rate of 12%. Though liquidity remains adequate for smaller transactions, the market may be too shallow for large changes in position. Some work is being done to strengthen creditor and shareholder rights, but there is a long way to go.

Without a securities market, there are no hostile takeovers in the traditional sense, though the practice of raiding enables politically connected individuals to acquire ownership through political pressure and court rulings. All large-scale economic activity is tightly controlled by state authorities who selectively ignore or apply laws to achieve their desired results.

In 2010, the government sold shares in the Roghun hydroelectric project directly to the population. By most accounts, Tajiks were forced or intimidated into buying the shares and little information about shareholder rights or maintenance of funds has been released. This represented a step backward for the country's financial system.

More information about the National Bank of Tajikistan (NBT) is available on its website: <http://www.nbt.tj>.

## **Competition from State Owned Enterprises**

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Although the government of Tajikistan has privatized many formerly state-owned small and medium enterprises, several large enterprises remain under state control. These include the national electrical grid operator (Barqi Tojik), the natural gas operator (Tojkgaz), and the Tajik Aluminum Company (TALCO), Tajikistan's largest enterprise. As a general rule, private companies cannot hope to compete with state-owned enterprises (SOEs) unless they have good connections in the government. This has less to do with any explicit policy favoring SOEs than with the fact that Tajikistan's ruling elite often profit directly from the SOEs.

SOEs are not run transparently. Their budgets, assets, and liabilities are rarely disclosed to the public. Some efforts are underway to make SOEs more transparent, but little tangible progress has yet been seen. In recent years, however, TALCO and Barqi Tojik have reported substantial losses.

## **Corporate Social Responsibility**

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There is little awareness of corporate social responsibility in the international sense in Tajikistan. Many Tajik corporations contributed to the abortive Roghun financing campaign (see above, under Efficient Capital Markets), but many of these contributions were coerced. Some corporations do engage in voluntary community assistance on an ad hoc basis.

## **Political Violence**

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Political violence in Tajikistan is generally rare and isolated. The security situation has stabilized significantly since the Civil War ended in 1997. All factions signed a peace agreement, and the government incorporated members of the opposition into a multi-party system – although President Rahmon has steadily removed opposition figures from government to consolidate his power. The Tajik government has worked to minimize the impact of political discord on foreign investors. With the civil war a recent memory, the people of Tajikistan are eager to maintain peace. This contributes to the population's acceptance of the government's egregious corruption.

In July and August 2012, security operations took place in Khorugh, Gorno-Badakhshon Autonomous Oblast (GBAO) after the murder of the head of the regional branch of the State Committee on National Security. These operations resulted in the deaths of an unconfirmed number of government security agents and criminal group members.

## **Corruption**

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Corruption, including bribery, raises the costs and risks of doing business. Corruption has a corrosive impact on both market opportunities overseas for U.S. companies and the broader business climate. It also deters international investment, stifles economic growth and development, distorts prices, and undermines the rule of law.

It is important for U.S. companies, irrespective of their size, to assess the business climate in the relevant market in which they will be operating or investing, and to have an effective compliance program or measures to prevent and detect corruption, including foreign bribery. U.S. individuals and firms operating or investing in foreign markets should take the time to become familiar with the relevant anticorruption laws of both the foreign country and the United States in order to properly comply with them, and where appropriate, they should seek the advice of legal counsel.

The U.S. Government seeks to level the global playing field for U.S. businesses by encouraging other countries to take steps to criminalize their own companies' acts of corruption, including bribery of foreign public officials, by requiring them to uphold their obligations under relevant international conventions. A U. S. firm that believes a competitor is seeking to use bribery of a foreign public official to secure a contract should bring this to the attention of appropriate U.S. agencies, as noted below.

**U.S. Foreign Corrupt Practices Act:** In 1977, the United States enacted the Foreign Corrupt Practices Act (FCPA), which makes it unlawful for a U.S. person, and certain foreign issuers of securities, to make a corrupt payment to foreign public officials for the purpose of obtaining or retaining business for or with, or directing business to, any person. The FCPA also applies to foreign firms and persons who take any act in furtherance of such a corrupt payment while in the United States. For more detailed information on the FCPA, see the FCPA Lay-Person's Guide at:  
<http://www.justice.gov/criminal/fraud/>

**Other Instruments:** It is U.S. Government policy to promote good governance, including host country implementation and enforcement of anti-corruption laws and policies pursuant to their obligations under international agreements. Since enactment of the FCPA, the United States has been instrumental to the expansion of the international framework to fight corruption. Several significant components of this framework are the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (OECD Antibribery Convention), the United Nations Convention against Corruption (UN Convention), the Inter-American Convention against Corruption (OAS Convention), the Council of Europe Criminal and Civil Law Conventions, and a growing list of U.S. free trade agreements. This country is party to United Nations Convention against Corruption (UN Convention), but generally all countries prohibit the bribery and solicitation of their public officials.

**OECD Antibribery Convention:** The OECD Antibribery Convention entered into force in February 1999. As of March 2009, there are 38 parties to the Convention including the United States (see <http://www.oecd.org/dataoecd/59/13/40272933.pdf>). Major exporters China, India, and Russia are not parties, although the U.S. Government strongly endorses their eventual accession to the Convention. The Convention obligates the Parties to criminalize bribery of foreign public officials in the conduct of international business. The United States meets its international obligations under the OECD Antibribery Convention through the U.S. FCPA. Tajikistan is a party to the OECD Antibribery Convention,

**UN Convention:** The UN Anticorruption Convention entered into force on December 14, 2005, and there are 158 parties to it as of November 2011 (see <http://www.unodc.org/unodc/en/treaties/CAC/signatories.html>). The UN Convention is



the first global comprehensive international anticorruption agreement. The UN Convention requires countries to establish criminal and other offences to cover a wide range of acts of corruption. The UN Convention goes beyond previous anticorruption instruments, covering a broad range of issues ranging from basic forms of corruption such as bribery and solicitation, embezzlement, trading in influence to the concealment and laundering of the proceeds of corruption. The Convention contains transnational business bribery provisions that are functionally similar to those in the OECD Antibribery Convention and contains provisions on private sector auditing and books and records requirements. Other provisions address matters such as prevention, international cooperation, and asset recovery. Tajikistan became a signatory to the United Nations Convention Against Corruption on September 25, 2006.

**OAS Convention:** In 1996, the Member States of the Organization of American States (OAS) adopted the first international anticorruption legal instrument, the Inter-American Convention against Corruption (OAS Convention), which entered into force in March 1997. The OAS Convention, among other things, establishes a set of preventive measures against corruption, provides for the criminalization of certain acts of corruption, including transnational bribery and illicit enrichment, and contains a series of provisions to strengthen the cooperation between its States Parties in areas such as mutual legal assistance and technical cooperation. As of December 2009, the OAS Convention has 34 parties (see <http://www.oas.org/juridico/english/Sigs/b-58.html>) Tajikistan is not a party to the OAS Convention.

**Council of Europe Criminal Law and Civil Law Conventions:** Many European countries are parties to either the Council of Europe (CoE) Criminal Law Convention on Corruption, the Civil Law Convention, or both. The Criminal Law Convention requires criminalization of a wide range of national and transnational conduct, including bribery, money-laundering, and account offenses. It also incorporates provisions on liability of legal persons and witness protection. The Civil Law Convention includes provisions on compensation for damage relating to corrupt acts, whistleblower protection, and validity of contracts, inter alia. The Group of States against Corruption (GRECO) was established in 1999 by the CoE to monitor compliance with these and related anti-corruption standards. Currently, GRECO comprises 49 member States (48 European countries and the United States). As of December 2011, the Criminal Law Convention has 43 parties and the Civil Law Convention has 34 (see [www.coe.int/greco](http://www.coe.int/greco).) Tajikistan is not a party to the Council of Europe Criminal Law Convention on Corruption or the Civil Law Convention

**Free Trade Agreements:** While it is U.S. Government policy to include anticorruption provisions in free trade agreements (FTAs) that it negotiates with its trading partners, the anticorruption provisions have evolved over time. The most recent FTAs negotiated now require trading partners to criminalize “active bribery” of public officials (offering bribes to any public official must be made a criminal offense, both domestically and trans-nationally) as well as domestic “passive bribery” (solicitation of a bribe by a domestic official). All U.S. FTAs may be found at the U.S. Trade Representative Website: <http://www.ustr.gov/trade-agreements/free-trade-agreements>. . Tajikistan does not have a free trade agreement (FTA) in place with the United States.

**Local Laws:** U.S. firms should familiarize themselves with local anticorruption laws, and, where appropriate, seek legal counsel. While the U.S. Department of Commerce cannot provide legal advice on local laws, the Department's U.S. and Foreign Commercial



Service can provide assistance with navigating the host country's legal system and obtaining a list of local legal counsel.

**Assistance for U.S. Businesses:** The U.S. Department of Commerce offers several services to aid U.S. businesses seeking to address business-related corruption issues. For example, the U.S. and Foreign Commercial Service can provide services that may assist U.S. companies in conducting their due diligence as part of the company's overarching compliance program when choosing business partners or agents overseas. The U.S. Foreign and Commercial Service can be reached directly through its offices in every major U.S. and foreign city, or through its Website at [www.trade.gov/cs](http://www.trade.gov/cs).

The Departments of Commerce and State provide worldwide support for qualified U.S. companies bidding on foreign government contracts through the Commerce Department's Advocacy Center and State's Office of Commercial and Business Affairs. Problems, including alleged corruption by foreign governments or competitors, encountered by U.S. companies in seeking such foreign business opportunities can be brought to the attention of appropriate U.S. government officials, including local embassy personnel and through the Department of Commerce Trade Compliance Center "Report A Trade Barrier" Website at [tcc.export.gov/Report\\_a\\_Barrier/index.asp](http://tcc.export.gov/Report_a_Barrier/index.asp).

**Guidance on the U.S. FCPA:** The Department of Justice's (DOJ) FCPA Opinion Procedure enables U.S. firms and individuals to request a statement of the Justice Department's present enforcement intentions under the anti-bribery provisions of the FCPA regarding any proposed business conduct. The details of the opinion procedure are available on DOJ's Fraud Section Website at [www.justice.gov/criminal/fraud/fcpa](http://www.justice.gov/criminal/fraud/fcpa). Although the Department of Commerce has no enforcement role with respect to the FCPA, it supplies general guidance to U.S. exporters who have questions about the FCPA and about international developments concerning the FCPA. For further information, see the Office of the Chief Counsel for International Counsel, U.S. Department of Commerce, Website, at [http://www.ogc.doc.gov/trans\\_anti\\_bribery.html](http://www.ogc.doc.gov/trans_anti_bribery.html). More general information on the FCPA is available at the Websites listed below.

Exporters and investors should be aware that generally all countries prohibit the bribery of their public officials, and prohibit their officials from soliciting bribes under domestic laws. Most countries are required to criminalize such bribery and other acts of corruption by virtue of being parties to various international conventions discussed above.

*As in previous years, Tajikistan ranked very low on the 2013 Transparency International Corruption Perceptions Index. It scored 22 out of 100 on the index, placing it at 154 on a list of 177 countries. Anemic anti-corruption efforts from the Tajik government have proven ineffective – indeed, some anti-corruption units are ironically known to be particularly corrupt, and have been utilized in politically motivated actions against opposition figures. Low official salaries force many officials to look for alternative means to cover their expenses. Buying a government position is common, and people frequently bribe superiors for promotions. Cultural expectations play a role as well: people are expected to share their good fortune with superiors and extended family, and nepotistic practices on behalf of clan members, extended family, and superiors are commonplace.*

*As noted throughout this report, endemic corruption stifles business development by local and international investors. Officials at most agencies expect payoffs from anyone opening or running a business. Although a signatory to the OECD Convention on Combating Bribery and the United Nations Convention against Corruption, corrupt practices are deeply embedded in every aspect of commerce, and calculating the actual cost is difficult. The Agency to Fight Corruption and Economic Crimes, which reports directly to the Presidential Administration, has yet to achieve anything significant. Indeed it appears unwilling to take on major corruption cases, which are often linked to high-ranking government officials.*

*Bribery is endemic. Many businesses view paying off predatory regulators and other officials as a necessary cost of doing business. Non-politically motivated prosecutions for corruption, including bribery, are rare. Ironically, since bribery is so widespread, it proves to be a reliable charge officials can use to silence potential critics or business rivals. Officials tend to face consequences for corruption only when their scheme competes with those of more powerful officials.*

### **Anti-Corruption Resources**

Some useful resources for individuals and companies regarding combating corruption in global markets include the following:

- Information about the U.S. Foreign Corrupt Practices Act (FCPA), including a “Lay-Person’s Guide to the FCPA” is available at the U.S. Department of Justice’s Website at: <http://www.justice.gov/criminal/fraud/fcpa>.
- Information about the OECD Antibribery Convention including links to national implementing legislation and country monitoring reports is available at: [http://www.oecd.org/departement/0,3355,en\\_2649\\_34859\\_1\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/departement/0,3355,en_2649_34859_1_1_1_1_1,00.html). See also new Antibribery Recommendation and Good Practice Guidance Annex for companies: <http://www.oecd.org/dataoecd/11/40/44176910.pdf>.
- General information about anticorruption initiatives, such as the OECD Convention and the FCPA, including translations of the statute into several languages, is available at the Department of Commerce Office of the Chief Counsel for International Commerce Website: [http://www.ogc.doc.gov/trans\\_anti\\_bribery.html](http://www.ogc.doc.gov/trans_anti_bribery.html).
- Transparency International (TI) publishes an annual Corruption Perceptions Index (CPI). The CPI measures the perceived level of public-sector corruption in 180 countries and territories around the world. The CPI is available at: [http://www.transparency.org/policy\\_research/surveys\\_indices/cpi/2009](http://www.transparency.org/policy_research/surveys_indices/cpi/2009). TI also publishes an annual *Global Corruption Report* which provides a systematic evaluation of the state of corruption around the world. It includes an in-depth analysis of a focal theme, a series of country reports that document major corruption related events and developments from all continents and an overview of the latest research findings on anti-corruption diagnostics and tools. See <http://www.transparency.org/publications/gcr>.
- The World Bank Institute publishes Worldwide Governance Indicators (WGI). These indicators assess six dimensions of governance in 213 countries, including

Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption. See <http://info.worldbank.org/governance/wgi/index.asp>. The World Bank Business Environment and Enterprise Performance Surveys may also be of interest and are available at: <http://data.worldbank.org/data-catalog/BEEPS>.

- The World Economic Forum publishes the *Global Enabling Trade Report*, which presents the rankings of the Enabling Trade Index, and includes an assessment of the transparency of border administration (focused on bribe payments and corruption) and a separate segment on corruption and the regulatory environment. See <http://www.weforum.org/s?s=global+enabling+trade+report>.
- Additional country information related to corruption can be found in the U.S. State Department's annual *Human Rights Report* available at <http://www.state.gov/g/drl/rls/hrrpt/>.
- Global Integrity, a nonprofit organization, publishes its annual *Global Integrity Report*, which provides indicators for 106 countries with respect to governance and anti-corruption. The report highlights the strengths and weaknesses of national level anti-corruption systems. The report is available at: <http://report.globalintegrity.org/>.

## Bilateral Investment Agreements

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### 14.1 Bilateral Taxation Treaties

Tajikistan has treaties on avoiding double taxation with Russia, Belarus, Ukraine, Azerbaijan, Turkey, and some other countries. Tajikistan's double taxation treaty with the United States was inherited from the Soviet Union, and the Tajik government believes the treaty must be re-negotiated as a bilateral agreement. Tajikistan signed the Trade Investment Framework Agreement between the five Central Asian states and the United States in 2004. Tajikistan is a member of the EURASEC trade organization, which provides loose regulation of trade among Russia, Belarus, Kazakhstan, Kyrgyzstan, and Tajikistan. Tajikistan is also a member of the Shanghai Cooperation Organization.

## OPIC and Other Investment Insurance Programs

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Tajikistan is open to insurance and financing programs of the Overseas Private Investments Corporation (OPIC). Thus far, however, OPIC's involvement in investments in Tajikistan has been limited to a beverage bottling project in 2000. Nevertheless, Tajikistan's relative macroeconomic stability and a growing economy may provide for opportunities for OPIC insurance and financing. Tajikistan's currency has devalued approximately 32% since the beginning of 2009 as a result of the global economic crisis, and stood at 4.77 somoni to the dollar as of December 2013.

Somon Air concluded a deal with the U.S. Export-Import Bank (ExIm Bank) for lease guarantees to acquire two new Boeing 737 aircraft in November 2011, using two of the

airline's other planes as collateral. ExIm Bank actively monitors the status of the lease, and works with Somon Air to ensure it remains in compliance with the terms of the agreement. ExIm Bank is not otherwise active in Tajikistan.

## Labor

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Due to its crumbling and corrupt **education** system, Tajikistan's labor force is becoming less skilled and is ill-equipped to provide international standards of customer service and management. Foreign businesses and NGOs lament the small pool of qualified staff for their organizations. Corruption in secondary schools and universities means degrees do not accurately reflect the level of professional training or competency. Although **education** is compulsory, many students must work to support their families. Since there are few well-paid jobs available, many Tajiks with advanced skills emigrate to find better opportunities.

As of December 2013, the official unemployment rate in Tajikistan was reported as 2.5%, but the actual rate is estimated to be much higher. Approximately one million Tajik labor migrants work abroad, almost all of them in Russia. There are areas of Tajikistan with few working-age males. According to some studies, the average level of **education** of labor migrants is higher than that of those who remain in Tajikistan, even though the vast majority of migrants work as unskilled laborers. Remittances have a profound effect on Tajikistan's economic stability, fueling a growing appetite for imports, particularly vehicles, **construction** materials, food, and **consumer goods**.

The average monthly salary in Tajikistan is 748.63 somoni (\$155). Approximately 35% of the population lives below the poverty line, according to the Ministry of Economic Development and Trade. Due to Tajikistan's high birth rate (28.1 per thousand), half the population is less than 25 years old, creating a worrisome demographic bulge given limited domestic employment opportunities.

Nepotism and corruption play a large role in the labor market. Many of the higher prestige or more lucrative jobs require a "buy-in" and continuing payments to supervisors, leading the job holder to look for ways to pay back that sum by seeking bribes or other corrupt activity.

The labor market favors employers. Although the majority of workers are technically unionized, most are not aware of their rights and few unions have the will or know-how to effectively advocate for workers' rights. Unions are tightly controlled by the government.

Tajikistan is a party to 44 international labor conventions, including the Worst Forms of Child Labor Convention, dedicated to eliminating child labor and protecting children and young people. In 2010 and 2011, the government made important strides in preventing child labor in the cotton harvest, including the issuance of a presidential order banning the long-standing practice of sending classes of schoolchildren into the fields at harvest time.

## Foreign-Trade Zones/Free Ports

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Tajikistan is a landlocked country whose neighbors demonstrate varying capacity for and interest in trade. All of Tajikistan's rail links and most of its major roads pass through Uzbekistan, whose relations have soured considerably with Tajikistan making transit of goods through Uzbek territory difficult. Traders report that Uzbekistan allows only ten trucks per day to cross the border between Tajikistan and Uzbekistan by road. Throughout much of 2012 Uzbekistan prevented or delayed a considerable amount of rail traffic into Tajikistan. In November 2011, the main rail road route that connects southern Tajikistan with southern Uzbekistan was disrupted due to an explosion and, as of December 2013, has not been repaired. Uzbekistan is reportedly building new internal rail lines that would enable it to bypass Tajikistan entirely. There are no commercial flights between Uzbekistan and Tajikistan. To overcome this dependence on Uzbekistan, Tajikistan has sought to open alternative transit routes to the north via Kyrgyzstan and Kazakhstan; the south, via Afghanistan and Pakistan; and the east, via China. The Asian Development Bank and the Governments of China and Iran have funded several projects to improve Tajikistan's road infrastructure, but these new routes remain difficult. The Kulma border crossing with China lies at an altitude of 4,600 meters, across a very rough road which is open only in good weather. Trade with and through Afghanistan has expanded markedly in recent years, but remains low.

The Government of Tajikistan established four Free Economic Zones (FEZs) that offer greatly reduced taxes and customs fees to both foreign and domestic businesses located in the zones. The legislation for the FEZs has been modified several times since the start of the process, but current law requires a minimum investment of \$500,000 for manufacturing companies, \$50,000 for trading companies, and \$10,000 for consulting and service companies, before being eligible for the preferential tax treatment. The most developed FEZ is in Khujand, <http://fezsughd.tj/ru/>, with 22 officially registered companies. Eleven companies are owned by Tajik citizens and nine are joint ventures with Poland, Russia, Cyprus, Turkey and China. Investments in FEZs as of December 2013 totaled \$11 million. FEZ produced \$8.5 million worth goods and **services** in 2013. The other three FEZs, located in President Rahmon's home district of Dangara, in the south of Tajikistan, and along the Afghan border in Nizhniy Panj and Ishkoshim, are in the early stages of development.

## Foreign Direct Investment Statistics

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Foreign Direct Investment statistics vary by source. There are two primary agencies monitoring foreign investments in Tajikistan: the NBT and the State Statistical Agency under the President of Tajikistan. The NBT is more conservative in its methodology but does not break out its data by sector or country.

In the third quarter of 2013, Tajikistan's FDI inflows totaled \$209 million, \$48 million of which came from former Soviet states (mostly Russia with investments of \$44 million). Kazakhstan recorded a net outflow of \$2.4 million in its Tajik investments in 2013. Between 1997 and the third quarter of 2013 total FDI inflows amounted to \$2.2 billion. According to National Bank of Tajikistan, in the second quarter of 2013 the FDI to GDP ratio equaled 1.2%, down from 5% in 2012. According to Tajikistan's official statistics, the largest foreign direct investors during the third quarter of 2013 were: China \$93 million; Russia: \$44 million; Qatar \$18 million; Great Britain (BVI) \$17.6 million; Turkey: \$7 million; Germany: \$2 million, India: \$1.5 million. Foreign direct investment inflows by sector during the third quarter of 2013 were divided among these sectors: production of

**construction** materials: \$85.3 million; **communications**: \$40 million; **construction**: \$24million; **textiles**: \$3 million

Note: Some of the FDI statistics above may include investment in Tajik-held companies registered offshore. Tajik government leaders or their family members control most large-scale enterprises in Tajikistan, and sometimes register them offshore to circumvent local tax laws. For example, a portion of Great Britain's FDI may have been directed toward Tajik companies registered in the British Virgin Islands, but Tajikistan's State Statistical Agency does not disclose this level of detail to the public. These figures also do not include state-led investment projects.

**TABLE 2: Key Macroeconomic data, U.S. FDI in Tajikistan/economy**

	National Bank of Tajikistan		World Bank	
<b>Economic Data</b>	Year	Amount	Year	Amount
Host Country Gross Domestic Product (GDP) (Millions U.S. Dollars)	2013	8,500	2012	7,633
<b>Foreign Direct Investment</b>	State Statistics Agency of Tajikistan		BEA	
U.S. FDI in partner country (Millions U.S. Dollars, stock positions)	Q1 – Q3 2013	0.0072	2012	Not shown (less than 0.5 million)
Host country's FDI in the United States (Millions U.S.	Q1-Q3 2013	1.9 as FDI and 42 as other	2012	Data unavailable

<i>Dollars, stock positions)</i>		Investments		
Total inbound stock of FDI as % host GDP	Q1-Q3 2013	0.00008%	2012	Data unavailable

## Contact Point at Post

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**ERIC SALZMAN**  
**DEPUTY HEAD OF POLITICAL/ECONOMIC SECTION**  
**109 "A" ISMOILI SOMONI AVENUE**  
**DUSHANBE 734019, TAJIKISTAN**  
**[992] (37) 229-25-04**  
**SALZMANEA@STATE.GOV**

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## Chapter 7: Trade and Project Financing

- [How Do I Get Paid \(Methods of Payment\)](#)
- [How Does the Banking System Operate](#)
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- [U.S. Banks and Local Correspondent Banks](#)
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### How Do I Get Paid (Methods of Payment)

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Most Tajik firms use prepayment or partial prepayment with balance due upon delivery. Payments in cash continue to dominate sales within Tajikistan. The majority of large Tajik firms are familiar with letters of credit, documentary collections, wire transfers, and cash in advance. Most prefer not to use letters of credit due to the high cost. Smaller companies are not aware of these payment methods. Borrowing from personal contacts and informal channels of financing are still prevalent.

Average sales in Tajikistan are low by western standards, and Tajik companies often have problems finding short-term financing. A U.S. firm's ability to provide or arrange financing is important to building significant market share. Offering sales of goods on consignment, at least for initial sales, will enable a U.S. company's distributor to generate more funds for subsequent purchases.

Leasing is undeveloped in Tajikistan, and banks are only beginning to explore this method of financing. While the Law on Leasing was enacted in 2003, the majority of Tajik businesses have very little knowledge about leasing as a financing tool. The few leasing companies in Tajikistan have relatively little capital.

### How Does the Banking System Operate

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German-based "Access Bank" is the only western bank with a presence in Tajikistan. The checking system is not developed in Tajikistan. Only one bank, AgroInvestBank, accepts American Express Road Checks. Most payments are made by bank transfer; payments between two corporate entities must be made through the banking system.

The banking structure in Tajikistan is two-tiered: the National Bank of Tajikistan performs central bank functions, while commercial banks represent the second level. As of January 2012, there are 15 commercial banks in Tajikistan. Five banks are public, open joint stock companies, while five are closed joint stock companies. The remaining two banks, Tejorot Bank of Iran and Amonat Bank, are state-owned. Three of the banks are foreign, including Tejorot, Kazcommercebank of Kazakhstan and First Micro Finance Bank of Tajikistan, partly owned by the Aga Khan Fund for Economic Development and the International Finance Corporation. There are also seven credit societies, twelve



microfinance deposit organizations, 35 micro-lending organizations, 41 micro-lending foundations, and one non-banking financial organization.

The banking system in Tajikistan remains relatively undeveloped. The national currency, the somoni, was introduced in 2000. There are several major concerns about the banking system, including: government-directed lending, insufficient capital, limited banking services, lingering mistrust as a result of the 1998 banking system crisis, and worries that any reduction in remittance payments from Tajik workers in Russia could cause borrowers in Tajikistan to default on loans. The total value of regulatory capital of all commercial banks in Tajikistan as of March 31, 2014 is \$520 million. Total net assets of all commercial banks of Tajikistan are \$2.4 billion as of March 31, 2014.

## **Foreign-Exchange Controls**

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Tajikistan is subject to the International Monetary Fund's Article VIII on Foreign Exchange controls.

## **U.S. Banks and Local Correspondent Banks**

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As of 2011, Citibank had correspondent relations with all major banks in Tajikistan. However, in February 2012 Citibank closed correspondent accounts in 40 countries, including Tajikistan, where it views this type of business as "no longer commercially viable." . Many European banks severed their correspondent accounts with Tajikistan in 2013. With access to Iranian banks blocked by international sanctions, Tajik banks now rely almost exclusively on alternative correspondent accounts Russian banks to access dollar-based markets.

## **Project Financing**

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Most Tajik companies and government agencies lack the experience to put together a financing package for investment or acquisition. It is critical for U.S. companies interested in doing business in Tajikistan to assist in setting up financing. In many cases, a pro-active approach to financing may even create a market that otherwise would not exist, since local companies will prefer to work with partners with the capacity to attract financing.

Domestic financing from private venture companies and investment banks is not available. For large infrastructure projects, however, financing may be available from international financial institutions such as the European Bank for Reconstruction and Development (EBRD), the Asian Development Bank (ADB), the World Bank, and the International Finance Corporation (IFC). Financing for feasibility studies may be available from the U.S. Trade and Development Agency (see contact information below, under Web Resources). Interested U.S. companies should also consider other sources of financing outside of Tajikistan.

Lease financing has potential as a possible future approach for marketing equipment, vehicles, and other large capital items. Food exporters should consider the U.S. Department of Agriculture's Commodity Credit Corporation program (see contacts below). Non-food exporters can contact the U.S. Export-Import Bank (Ex-Im Bank) and Small Business Administration for information about their trade financing programs in

Tajikistan. The Ex-Im Bank currently has restrictions to its programs in Tajikistan. While closed for certain routine trade finance transactions, Ex-Im Bank will consider structured financing arrangements such as its project finance program, asset-based aircraft leases, and other financing arrangements that offer a reasonable assurance of repayment, including reliable access to adequate foreign exchange.

## **Web Resources**

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Export-Import Bank of the United States: <http://www.exim.gov>

Country Limitation Schedule: [http://www.exim.gov/tools/country/country\\_limits.html](http://www.exim.gov/tools/country/country_limits.html)

OPIC: <http://www.opic.gov>

Trade and Development Agency: <http://www.tda.gov/>

SBA's Office of International Trade: <http://www.sba.gov/oit/>

USDA Commodity Credit Corporation: <http://www.fsa.usda.gov/cc/default.htm>

U.S. Agency for International Development: <http://www.usaid.gov>

## **Tajik Banks**

National Bank of Tajikistan  
<http://www.nbt.tj>

Agroinvest Bank  
<http://www.agroinvestbank.tj>

Eskhata Bank  
<http://www.eskhata.tj>

Orien Bank  
<http://www.orienbank.com>

Tojik Sodiro Bank  
<http://www.tsb.tj/>

The First Microfinance Bank  
<http://www.fmb.com.tj>

Sohibkorbank  
<http://www.sohibkorbank.com/>

## **Multilateral Development Banks**

European Bank for Reconstruction and Development: <http://www.ebrd.com>

International Finance Corporation: <http://www.ifc.org>

Asian Development Bank: <http://www.adb.org>

Multilateral Investment Guarantee Agency: <http://www.miga.org>

World Bank: [www.worldbank.org](http://www.worldbank.org)

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## Chapter 8: Business Travel

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### Business Customs

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Traveling to Tajikistan remains difficult for international travelers. Although the national carrier, Tajik Air, has leased several Boeings, many international routes are still served by Soviet-era aircraft. Private airline Somon Air is based at Dushanbe Airport and began operating on February 5, 2008 with regular flights to Moscow and Dubai. Somon Air has since been gradually expanding with new routes to Frankfurt, several Russian cities, and more. The only Western carrier to fly into Tajikistan is Turkish Air, which operates two weekly overnight flights between Istanbul and Dushanbe. Other carriers connect Dushanbe to Moscow (several flights daily), Almaty (four times a week), Dubai (twice a week), and Urumqi, China (twice a week).

Local telephone services are good, reliable and inexpensive. International calls can be made through VoIP or direct dial – which is quite expensive. Express mail is available through DHL and UPS.

Hiring a car and a driver is recommended to travel inside and outside of Dushanbe. In general, business etiquette in Tajikistan is a mixture of European and Asian styles. For men and women business attire is recommended. Most businessmen print their business cards in English and Russian; government officials print business cards in either English, Tajik, or, depending on the agency, Russian.

Few Tajik businesses have competent English-speaking staff. Local companies tend to have one email address, usually through free services, such as mail.ru, on the .ru domain. It is best not to use email as an introductory means of communication because your email may not reach the decision maker.

Be patient in corresponding with potential partners. Companies may not respond to an email or fax request within 24 hours simply because the company's director may be away on a trip and other staff members are not authorized to make decisions. If your potential partner has not responded in a timely manner and a follow-up call is needed, do not expect whoever answers the phone to be aware of any specifics about the issue.

Explain the purpose of your call and patiently request to be transferred to the director's office. Local phone manners may seem brusque by western standards; do not take this personally.

Tajik businesses may express their hospitality by inviting their partners "for a cup of tea." Such invitations often mean a full course dinner with alcoholic beverages such as vodka or cognac. Offering a toast and quoting Tajik poetry is very common. An experienced and competent interpreter can be very helpful.

Although the official language is Tajik, Russian remains the language of business. When it comes to promotional and advertisement campaigns, it is necessary to comply with the Law on Advertisement that requires use of the Tajik language in advertising content (many billboards in Dushanbe include two or three languages: Tajik, Russian, and English).

When scheduling meetings with government officials, it is better to avoid Monday mornings and Friday afternoons. It is harder to make business appointments and contacts in Tajikistan during major holidays like New Year's and Islamic holidays. The work week is 40 hours (Monday through Friday); some companies and government offices are also open a half-day on Saturday.

## **Travel Advisory**

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U.S. State Department Consular Information Sheet:  
[http://travel.state.gov/travel/cis\\_pa\\_tw/cis/cis\\_1037.html](http://travel.state.gov/travel/cis_pa_tw/cis/cis_1037.html).

## **Visa Requirements**

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A valid passport and visa are required to enter Tajikistan. American citizens can obtain Tajik visas at Tajik embassies and consulates abroad. It is possible, but difficult, to obtain a visa at the Dushanbe airport, provided that the traveler has a valid letter from the Tajik Ministry of Foreign Affairs. Up-to-date information about obtaining visas is listed on the State Department's website at [http://travel.state.gov/travel/cis\\_pa\\_tw/cis/cis\\_1037.html](http://travel.state.gov/travel/cis_pa_tw/cis/cis_1037.html).

U.S. Companies that require travel of foreign businesspersons to the United States should be advised that security evaluations are handled via an interagency process. Visa applicants should go to the following links.

State Department Visa Website: <http://travel.state.gov/visa/>

U.S. Embassy Dushanbe Consular Section: <http://dushanbe.usembassy.gov/visa.html>

## **Telecommunications**

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Tajikistan's country code is 992. In order to dial internationally from Tajikistan, dial 810 + country code + number.

The national telecommunications company is Tajik Telecom, which provides domestic and international phone communications, as well as email and Internet access, broadcasting, telegraphy, and telex. More than 90% of the public telephone switch networks are digital.

Mobile phone usage in Tajikistan is very extensive. As of the beginning of 2014, there were ten private mobile phone companies and over 8.5 million registered mobile phone subscribers, a number greater than the country's total population. Analysts report that mobile telephone penetration reached 90% in 2012, and say it is not uncommon for some heavy users to have multiple subscriptions. Technologies used include GSM, CDMA, 3G, and 4G networks.

Internet is available in major cities through DSL, dial-up, and WiMAX. There are several private internet providers.

## Transportation

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There are no direct transatlantic routes to Tajikistan. Other carriers connect Dushanbe to Moscow (several flights daily), Almaty (four times a week), Dubai (twice a week), and Urumqi, China (twice a week). The only western carrier to fly into Tajikistan is Turkish Air, which operates two weekly overnight flights between Istanbul and Dushanbe.

Tickets for Turkish Air can be purchased online at [www.thy.com](http://www.thy.com).

The national carrier is Tajik Air, which, in addition to several international flights, operates Tajikistan's few domestic routes. Buying tickets from abroad is difficult. Tickets on Tajik Air can generally only be purchased in person or through an agent.

Tajik-owned private carrier Somon Air flies weekly between Dushanbe and Frankfurt, and also services routes to Dubai and Istanbul. The airline is exploring additional routes to Europe. The latest information for Somon Air can be found on their website: <http://somonair.com/>.

There is currently no official timetable available online for Dushanbe airport (IATA code: DYU).,

Express mail and couriers:

DHL +992 (37)221-0280; <http://www.dhl.com>

UPS +992 (37) 223-5414; <http://www.ups.com>

## Language

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The official language of Tajikistan is Tajik, although Russian is the international language of communication, according to Chapter Two of the Tajik Constitution. Russian is widely used in major cities and is the language of business. Tajik is closely related to Farsi, although Farsi speakers should be aware that Tajik uses the Cyrillic script. Very few Tajiks can read the Arabic-origin Persian script.

## Health

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There are no health restrictions on travel to Tajikistan, although travelers should be aware of the very limited health care options in the country. Food and waterborne diseases are the number one cause of illness. Viruses, bacteria, or parasites that contaminate food or water can cause diarrhea. Infections may cause diarrhea and vomiting, fever, or liver damage (in the case of hepatitis). Make sure your food and drinking water are safe.

Malaria is a fatal, but preventable and treatable, infection. There is some risk of malaria in the south of the country, including both rural and urban areas. Travelers should consult a health care provider for advice on prophylactic measures. Visitors should protect themselves against mosquito bites.

For additional information on malaria risk and prevention please visit [www.cdc.gov/travel](http://www.cdc.gov/travel).

Be sure to check State Department's Travel page:  
<http://travel.state.gov/travel/abroad.html>.

Medical information for Americans traveling abroad is located at:  
[http://travel.state.gov/travel/abroad\\_health.html](http://travel.state.gov/travel/abroad_health.html).

We advise against drinking tap water in Tajikistan. Bottled water is available at grocery stores. Fruits and vegetables bought in local markets should be washed thoroughly.

American travelers are encouraged to register with the U.S. Embassy in Dushanbe via the Smart Traveler Enrollment Program (STEP) at <https://step.state.gov>. This will help a consular officer contact you in case of an emergency.

The privately-run Prospekt Medical Clinic has a western doctor and international over-the-counter drugs available. Prices are accordingly high. To reach an emergency doctor, call (93) 503 99 03. For in-clinic appointments, please contact reception at (93) 555 40 96 or 224 30 92/62. Website: <http://www.prospektclinic.org>. There are no other private western clinics in Tajikistan offering health services at international standards. In case of a serious emergency, visitors should contact the U.S. Embassy in Dushanbe.

U.S. Embassy in Dushanbe  
109 A Ismoili Somoni Ave.  
Dushanbe, Tajikistan 734019  
Tel: +992 (37) 229-2000  
Fax: +992 (37) 229-2050  
Email: [DushanbeConsular@state.gov](mailto:DushanbeConsular@state.gov)  
<http://tajikistan.usembassy.gov/>

In the case of a life or death emergency involving a U.S. citizen, call the consular section at +992 (37) 229-23-00 and press 9. During normal working hours, from 8:00 to 17:00, the call will go straight to the consular section. After working hours and on holidays, the call will be transferred to the Marine Guard at Post 1. For life or death emergencies involving U.S. citizens, you may also call the duty officer at (992-917) 70-10-32. The duty phone is only monitored after working hours and on holidays. For emergencies during working hours, please call the consular section directly.

Local emergency numbers are as follows:

Fire: 01

Police: 02

Ambulance: 03

## **. . Local Time, Business Hours, and Holidays**

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The local time zone is five hours ahead of Greenwich Mean Time (GMT). Tajikistan does not observe daylight savings time. Local business hours are 8am to 5pm. Lunch breaks are typically from 12 p.m. to 1 p.m.

The following is a list of national holidays observed in 2014

January 1 – New Year

March 10 – International Women’s Day

March 21-24 – Navruz

May 1 – International Day of Solidarity

May 9 – Victory Day

June 27 – Day of International Unity

July 28 – Eid Al-Fitr (End of Ramadan)

September 9 – Independence Day

November 6 – Constitution Day

October 4 – Eid Qurbon

## **Temporary Entry of Materials and Personal Belongings**

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A foreigner can temporarily bring in audio/video equipment, transport, and other equipment by filling in a customs declaration.

## **Web Resources**

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### **Consular/Visa information**

U.S. State Department Consular Information Sheet:

[http://travel.state.gov/travel/cis\\_pa\\_tw/cis/cis\\_1037.html](http://travel.state.gov/travel/cis_pa_tw/cis/cis_1037.html)

State Department Visa Website: <http://travel.state.gov/visa/index.html>

United States Visas.gov: <http://www.unitedstatesvisas.gov/>

U.S. Embassy Dushanbe Consular Section:

<http://dushanbe.usembassy.gov/visa.html>

### **Travel**

Tajik Air: <http://www.tajikair.tj/>

Turkish Airlines: <http://www.thy.com>



Domodedovo International Airport, Moscow: <http://www.domodedovo.ru>

Almaty International Airport, Almaty: <http://www.almatyairport.com>

Central Asia Tourism Corporation: <http://www.centralasiatourism.com>

## **Medical**

Centers for Disease Control (CDC) traveler information: <http://wwwn.cdc.gov/travel/>

CDC information on Tajikistan: <http://wwwn.cdc.gov/travel/destinationTajikistan.aspx>

CDC information on malaria: <http://wwwn.cdc.gov/travel/contentDiseases.aspx#malaria>

CDC information on diarrhea: <http://wwwn.cdc.gov/travel/contentDiseases.aspx#diarrhea>

State Department's Travel page: <http://travel.state.gov/travel/abroad.html>

State Department medical information for Americans traveling abroad:  
[http://travel.state.gov/travel/abroad\\_health.html](http://travel.state.gov/travel/abroad_health.html).

Prospekt Medical Clinic, Dushanbe: <http://www.prospektclinic.org>

## **Communications**

GSM network coverage information:  
[http://www.gsmworld.com/roaming/gsminfo/cou\\_tj.shtml](http://www.gsmworld.com/roaming/gsminfo/cou_tj.shtml)

DHL: +992 (37)221-0280; <http://www.dhl.com>

UPS: +992 (37) 223-5414; <http://www.ups.com>

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## Chapter 9: Contacts, Market Research and Trade Events

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- [Market Research](#)
- [Trade Events](#)

### Contacts

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#### U.S. Government

U.S. Embassy Dushanbe  
<http://tajikistan.usembassy.gov>

Special American Business Internship Training Program (SABIT)  
International Trade Administration  
1401 Constitution Ave., NW,  
Franklin Court Bldg., Suite 4100W  
Washington, DC 20230  
Tel: (202) 482-0073; Fax: (202) 482-2443  
<http://www.sabitprogram.org>

U.S. Trade and Development Agency  
1000 Wilson Boulevard, Suite 1600  
Arlington, VA 22209-3901  
Tel: (703) 875-4357; Fax: (703) 875-4009  
Email: [info@ustda.gov](mailto:info@ustda.gov)  
<http://www.tda.gov>

Overseas Private Investment Corporation  
1100 New York Avenue NW  
Washington, DC 20527  
Tel: (202) 336-8628; Fax: (202) 408-5145  
<http://www.opic.gov>

#### Market Research and Trade Events

Analytical Center “Zerkalo”  
Tajikistan, Dushanbe  
3 Loik Sherali Street  
Phone: (992) 41-100-50-05,  
Fax: (992) 41-100-50-06, (992) 93-572-10-04  
<http://www.zerkalo.tj/>

Total Advertising Group – Central Asia  
16 Saadi Sherozi, 12<sup>th</sup> Floor  
Tel: +992 (372) 355394

Fax: +992 (372) 274861  
Email: [sher@tag.tj](mailto:sher@tag.tj)  
<http://www.tag.tj>

Chamber of Commerce and Industry  
21 Valamat Zade Street  
Dushanbe, Tajikistan 734012  
Tel: +992 (372) 215284  
Fax: +992 (372) 211480  
E-mail: [chamber@tjinter.com](mailto:chamber@tjinter.com)  
<http://www.tpp.tj>

## Market Research

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To view market research reports produced by the U.S. Commercial Service please go to the following website: <http://www.export.gov/mrktresearch/index.asp> and click on Country and Industry Market Reports.

Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, and is free.

## Trade Events

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Please click on the link below for information on upcoming trade events.

<http://www.export.gov/tradeevents/index.asp>

The Tajik Chamber of Commerce and Industry is also planning to stage several exhibits over the upcoming year. Consult <http://tpp.tj/ExhibitionActivity/> for information. Their contact information is:

Tajik Chamber of Commerce and Industry  
21 Valamatzade Street  
Dushanbe, Tajikistan 734012  
Tel: +992 (37) 221-5284  
Fax: +992 (37) 221-1480  
<http://tpp.tj>

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## Chapter 10: Guide to Our Services

The President's National Export Initiative marshals Federal agencies to **prepare U.S. companies to export successfully, connect them with trade opportunities** and **support them once they do have exporting opportunities**.

The U.S. Commercial Service offers customized solutions to help U.S. exporters, particularly small and medium sized businesses, successfully expand exports to new markets. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers
- Gain access to the full range of U.S. government trade promotion agencies and their services, including export training and potential trade financing sources

To learn more about the Federal Government's trade promotion resources for new and experienced exporters, please click on the following link: [www.export.gov](http://www.export.gov)

For more information on the services the U.S. Commercial Service offers to U.S. exporters, please click on the following link:

<http://export.gov/kazakhstan/centralasiacorner/tajikistan/index.asp>

U.S. exporters seeking general export information/assistance or country-specific commercial information can also contact the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRAD(E)**.

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.

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